

PROSPECTUS SUPPLEMENT
To a Short Form Base Shelf Prospectus Dated October 9, 2009

This prospectus supplement, together with the short form base shelf prospectus to which it relates dated October 9, 2009, as amended or supplemented, and each document deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (“U.S. Securities Act”) or any state securities laws and, unless registered under the U.S. Securities Act or pursuant to an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws, may not be offered, sold, reoffered, resold or delivered, directly or indirectly, in the United States or to U.S. Persons (as defined in Regulation S under the U.S. Securities Act). This prospectus supplement, together with the short form base shelf prospectus to which it relates, does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States.

Information has been incorporated by reference in this prospectus supplement, and in the short form base shelf prospectus to which it relates, from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein and therein by reference may be obtained on request without charge from the Chief Financial Officer of Calloway Real Estate Investment Trust at Suite 200, 700 Applewood Crescent, Vaughan, Ontario L4K 5X3 (Telephone (905) 326-6400 Extension 7631), and are also available electronically at www.sedar.com. See “Documents Incorporated By Reference”.

New Issue

December 18, 2009



\$40,005,000 (2,100,000 Units)
and
\$60,000,000 5.75% Convertible Unsecured Subordinated Debentures Due June 30, 2017

This prospectus supplement, together with the short form prospectus to which it relates, qualifies the distribution of 2,100,000 units (“Units”) at a price of \$19.05 per Unit and \$60,000,000 aggregate principal amount of 5.75% convertible unsecured subordinated debentures (the “Debentures”) due June 30, 2017 (the “Maturity Date”) of Calloway Real Estate Investment Trust (“Calloway” or the “Trust”) (the “Offering”) pursuant to an underwriting agreement dated December 18, 2009 (the “Underwriting Agreement”) between Calloway and CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Scotia Capital Inc., National Bank Financial Inc., Dundee Securities Corporation, Genuity Capital Markets, HSBC Securities (Canada) Inc. and Macquarie Capital Markets Canada Ltd. (collectively, the “Underwriters”). Calloway is an unincorporated “open-end” trust constituted in accordance with the laws of the Province of Alberta, pursuant to a declaration of trust that was most recently amended and restated as of September 14, 2009 (the “Declaration of Trust”). Calloway was created to invest in income-producing rental properties located in Canada.

Units

The Units are listed on the Toronto Stock Exchange (the “TSX”) under the trading symbol “CWT.UN”. The TSX has conditionally approved the listing of the additional Units to be distributed under this prospectus supplement, together with the short form base shelf prospectus of Calloway dated October 9, 2009, on the TSX. Listing is subject to Calloway fulfilling the requirements of the TSX as set out in their conditional approval on or before March 16, 2010. On December 16, 2009, the last completed trading day prior to the announcement of the Offering, the closing price of the Units on the TSX was \$19.52.

Debentures

The Debentures will bear interest at an annual rate of 5.75% payable semi-annually on June 30 and December 31 in each year, commencing June 30, 2010; the first payment will include accrued and unpaid interest for the period from the closing of this Offering to June 30, 2010.

Debenture Conversion Privilege

Each Debenture will be convertible into trust units of Calloway (“Units”) at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by Calloway for redemption of the Debentures, at a conversion price of \$25.75 per Unit (the “Conversion Price”) being a ratio of approximately 38.83495 Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their Debentures to the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under “Details of the Offering – Debenture – Conversion Privilege”. **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See “Canadian Federal Income Tax Considerations”.**

The Debentures may not be redeemed by Calloway on or prior to June 30, 2013. Thereafter, but prior to June 30, 2015, the Debentures may be redeemed, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days and not less than 30 days prior notice, provided that the weighted-average trading price of the Units on the Toronto Stock Exchange (the “TSX”) for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after June 30, 2015 and prior to the Maturity Date, the Debentures may be redeemed by Calloway, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days and not less than 30 days prior written notice. Subject to regulatory approval, Calloway may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of freely-tradeable Units. Further particulars concerning the interest, repurchase and maturity provisions of the Debentures are set out under “Details of the Offering”.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. See “Risk Factors”. The TSX has conditionally approved the listing of the Debentures distributed under this prospectus supplement (and the Units issuable on conversion of the Debentures). Listing is subject to Calloway fulfilling all of the requirements of the TSX on or before March 16, 2010.

Price: \$19.05 per Unit
Price: \$1,000 per Debenture

	<u>Price to Public⁽¹⁾</u>	<u>Underwriters’ Fee</u>	<u>Net Proceeds to the Trust⁽²⁾</u>
Per Unit.....	\$ 19.05	\$ 0.762	\$ 18,288
Total Units	\$ 40,005,000	\$ 1,600,200	\$ 38,404,800
Per Debenture	\$ 1,000	\$ 37.50	\$ 962.50
Total Debentures	\$ 60,000,000	\$ 2,250,000	\$ 57,750,000
Total Units and Debentures	\$ 100,005,000	\$ 3,850,200	\$ 96,154,800

Notes:

- (1) The offering price per Unit and the offering price per Debenture was determined by negotiation between Calloway and the Underwriters.
- (2) Before deducting expenses of the Offering, estimated to be \$375,000, together with the Underwriters’ fee, which will be paid from the proceeds of the Offering.

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 the holders of its Units (“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 dependent 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 entitled “Risk Factors” in Calloway’s annual information form dated February 25, 2009 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 “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). See “Canadian Federal Income Tax Considerations.”

Calloway is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. Calloway qualifies as a mutual fund trust for the purposes of the *Income Tax Act (Canada)* (the “Tax Act”) and offers and sells its Units to the public. The Debentures and 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.

The Units and the Debentures offered hereby will be eligible for investment under certain statutes as set out under “Eligibility for Investment”.

In connection with this Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units and/or the Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. Furthermore, the Underwriters may offer the Units and the Debentures to the public at a price lower than the offering price applicable to both securities. See “Plan of Distribution”.

In connection with this Offering, the Trust may be considered a “connected issuer” of CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc. under applicable laws. Each of CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc. is a wholly-owned subsidiary of a Canadian chartered bank (the “Affiliated Banks”), which Affiliated Banks are lenders to the Trust. See “Relationship Between the Fund and Certain of the Underwriters”.

The Underwriters, as principal, conditionally offer the Unit and the Debentures, subject to prior sale, if, as and when issued, sold and delivered by Calloway and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of

Distribution” and subject to the approval of certain legal matters on behalf of Calloway by Shea Nerland Calnan LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be available in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. (“CDS”). Holders of beneficial interest in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. It is expected that definitive certificates evidencing the Units will be available for delivery at closing which is expected to occur on or about January 5, 2010, or such later date as Calloway and the Underwriters may agree, but in any event no later than January 12, 2010.

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DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus of Calloway dated October 9, 2009 (the "**Short Form Prospectus**") as of the date hereof solely for the purpose of the Offering.

Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Calloway Real Estate Investment Trust at Suite 200, 700 Applewood Crescent, Vaughan, Ontario L4K 5X3 (Telephone (905) 326-6400 Extension 7631) and are also available electronically at www.sedar.com.

The following documents of Calloway, which have been filed by Calloway with the securities commission or similar authority in each of the provinces of Canada, are specifically incorporated by reference into this prospectus supplement:

- (a) the annual information form of Calloway dated February 25, 2009;
- (b) the audited annual consolidated comparative financial statements of Calloway for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of Calloway for the year ended December 31, 2008;

- (d) the management information circular of Calloway dated March 27, 2009 issued in connection with the meeting of unitholders of Calloway held on May 7, 2009;
- (e) Calloway's material change report dated April 13, 2009 regarding an offering of unsecured debentures;
- (f) Calloway's material change report dated June 30, 2009 regarding an offering of unsecured debentures;
- (g) Calloway's material change report dated August 18, 2009 regarding an offering of units;
- (h) the unaudited interim consolidated comparative financial statements of Calloway for the three and nine months ended September 30, 2009 and 2008, together with the notes thereto; and
- (i) management's discussion and analysis of the financial condition and results of operations of Calloway for the three and nine months ended September 30, 2009.

All annual information forms, material change reports (excluding confidential material change reports), business acquisition reports, unaudited interim financial statements, audited annual financial statements including the auditors' report thereon, management's discussion and analysis of financial condition and results of operation and information circulars which are filed by Calloway with a securities commission or similar regulatory authority in any of the provinces of Canada after the date of this prospectus supplement and prior to the termination of the Offering under this prospectus supplement shall be deemed to be incorporated by reference into this prospectus supplement.

Upon new audited annual financial statements being filed by Calloway with the applicable securities regulatory authorities after the date of this prospectus supplement and prior to the termination of the Offering under this prospectus supplement, the previously filed audited annual financial statements and all unaudited interim financial statements, together with related management's discussion and analysis, relating to prior periods shall be deemed to no longer be incorporated into this prospectus supplement for the purpose of the Offering.

Upon a new annual information form being filed by Calloway with the applicable securities regulatory authorities after the date of this prospectus supplement and prior to the termination of the Offering under this prospectus supplement, the previously filed annual information form, any material change reports filed prior to the end of the financial year in respect of which the new annual information form is filed, any information circular filed since the start of such financial year, and any business acquisition report for acquisitions completed since the beginning of such financial year (unless such report is incorporated by reference into the current annual information form or less than nine months of the acquired business' or related businesses' operations are incorporated into Calloway's most recent audited financial statements), shall be deemed to no longer be incorporated into this prospectus supplement for the purpose of the Offering.

Upon interim financial statements and related management's discussion and analysis being filed by Calloway with the applicable securities regulatory authorities after the date of this prospectus supplement and prior to the termination of the Offering under this prospectus supplement, all previously filed interim financial statements, and related management's discussion and analysis, relating to prior periods shall be deemed no longer to be incorporated by reference into this prospectus supplement for the purpose of the Offering.

Any statement contained in the Short Form Prospectus, in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein or in the Short Form Prospectus for the purposes of the Offering will be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in the Short Form Prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein or in the Short Form Prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or included any other information set out in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. The making of a

modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this prospectus supplement of the Short Form Prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement and in the documents incorporated by reference herein are “forward looking statements” that reflect management’s expectations regarding Calloway’s future growth, results of operations, performance and business prospects and opportunities and other future events. More specifically, certain statements contained in this prospectus supplement in the sections “Use of Proceeds” and “Risk Factors” regarding anticipated use of the net proceeds from the Offering and Calloway’s expectation of not being subject to the SIFT Rules (as defined herein) are forward looking statements. All statements other than statements of historical fact contained in this prospectus supplement and in the documents incorporated by reference herein are forward looking statements including, without limitation, statements that contain words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may” and similar expressions, and statements regarding the timing and amount of distributions and the future financial position, business strategy, proposed acquisitions, plans and objectives of Calloway or its subsidiaries. These forward looking statements are presented for the purpose of assisting Calloway’s investors and financial analysts in understanding Calloway’s operating environment, and may not be appropriate for other purposes. Such forward looking statements contained directly in this prospectus supplement 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, interest and financing, capital requirements, credit risk, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, reliance on key personnel, and tax related matters. These risks and others are more fully discussed under the “Risk Factors” section of this prospectus supplement and the short form prospectus to which it relates, which also refers to the risks described in Calloway’s annual information form, which document has been incorporated by reference herein. Although the forward looking statements contained in this prospectus supplement and in the documents incorporated by reference are based upon what management believed to be reasonable assumptions at the time such statements were made, Calloway cannot assure investors that actual results will be consistent with these forward looking statements. The forward looking statements contained in this prospectus supplement and in the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements contained in this prospectus supplement are made as at the date of this prospectus supplement, and the forward looking statements contained in the documents incorporated by reference herein are made as of the date of such documents, and Calloway assumes no obligation to update or revise such forward looking statements to reflect new events or circumstances except as otherwise required by applicable securities legislation.

RECENT DEVELOPMENTS

In order to allow Calloway to conform to new International Financial Reporting Standards in respect of the preparation of its financial statements, Calloway adopted an amended and restated declaration of trust dated September 14, 2009 which removed the obligation of the trustees to pay or declare payable each taxation year an amount equal to such amount 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. In addition, the amended Declaration of Trust changed the term of the Trust and the mechanics for termination of the Trust to simplify same and conform these provisions to the provisions relating to term and termination contained in the declarations of trust of other real estate investment trusts. Further details regarding these amendments are contained in the management information circular of Calloway dated March 27, 2009 issued in connection with the meeting of unitholders of Calloway held on May 7, 2009, which information circular is incorporated herein by reference.

ELIGIBILITY FOR INVESTMENT

In the opinion of Shea Nerland Calnan LLP, counsel to Calloway, and McCarthy Tétrault LLP, counsel to the Underwriters, on the date of this prospectus supplement, the Units and the Debentures, if issued on the date of this prospectus supplement, will not be a prohibited investment for a registered pension plan under the Tax Act other than a plan for which Calloway, or a person who is connected with, controlled directly or indirectly in any manner by or that does not deal at arm's length with Calloway, is the employer. Provided that Calloway is a mutual fund trust under the Tax Act, the units of which are listed on a designated stock exchange, the Units and the Debentures will be qualified investments under the Tax Act and the regulations thereunder (the "**Regulations**") for a trust governed by a registered retirement savings plan, a registered retirement income fund, registered education savings plan, registered disability savings plan, a tax free savings account or a deferred profit sharing plan (collectively, the "**Plans**"), other than a deferred profit sharing plan for which Calloway, or a corporation with which Calloway does not deal at arm's length, is the employer.

Notwithstanding the foregoing, if the Units or Debentures are "prohibited investments" for a tax-free savings account ("**TFSA**"), the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit or debt of a trust which does not deal at arm's length with the holder of the TFSA, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust's outstanding units by the holder, either alone or together with persons and partnerships with whom the holder does not deal at arm's length. Holders of TFSAs should consult with their tax advisors in this regard.

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 (i) Calloway's series A senior unsecured debentures due September 22, 2010 bearing interest at an annual rate of 4.51% per annum (the "**4.51% Debentures**"), (ii) Calloway's series B senior unsecured debentures due October 12, 2016 bearing interest at an annual rate of 5.37% per annum (the "**5.37% Debentures**"), (iii) Calloway's series C senior unsecured debentures due April 14, 2014 bearing interest at an annual rate of 10.25% per annum (the "**10.25% Debentures**") and (iv) Calloway's series D senior unsecured debentures due June 30, 2014 bearing interest at an annual rate of 7.95% per annum (the "**7.95% Debentures**"). A credit rating of BBB is generally an indication of adequate credit quality as defined by DBRS.

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 the distributions to unitholders by the rated entity. 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). DBRS has provided Calloway with a stability rating of STA-3 (high). This rating category reflects good stability and sustainability of distributions per unit.

DBRS has not provided a credit rating on (i) the Debentures offered hereby, (ii) the convertible unsecured subordinated debentures of Calloway due June 30, 2014 bearing interest at an annual rate of 6% per annum (the "**6% Convertible Debentures**") or (iii) the convertible unsecured subordinated debentures of Calloway due June 30, 2013 bearing interest at an annual rate of 6.65% per annum (the "**6.65% Convertible Debentures**").

The ratings accorded to Calloway are not recommendations to purchase, hold or sell Calloway's 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.

EARNINGS COVERAGES

Calloway's interest requirements, before giving effect to the issuance of the Debentures and repayment of certain indebtedness, amounted to \$138.9 million for the twelve months ended December 31, 2008 and \$147.7 million for

the twelve months ended September 30, 2009. Calloway's earnings before interest and income tax for the twelve months ended December 31, 2008 was \$215.6 million and Calloway's earnings before interest and income tax for the twelve months ended September 30, 2009 was \$167.1 million, which is 1.55 times and 1.13 times, respectively, Calloway's interest requirements for these periods.

Calloway's *pro forma* interest requirements, after giving effect to the issuance of the Debentures and repayment of certain indebtedness, would amount to \$164.9 million for the twelve months ended December 31, 2008 and 150.1 million for the twelve months ended September 30, 2009. Calloway's earnings before interest and income tax for the twelve months ended December 31, 2008 would be \$215.6 million and Calloway's earnings before interest and income tax for the twelve months ended September 30, 2009 would be \$167.1 million, which is 1.31 times and 1.11 times, respectively, Calloway's *pro forma* interest requirements for these periods.

The *pro forma* earnings coverages set forth above has been prepared in accordance with Canadian disclosure requirements, using financial information that was prepared in accordance with accounting principles generally accepted in Canada. The *pro forma* earnings assume that there are no additional earnings derived from the use of the net proceeds of the Debentures. Earnings coverage is equal to net income before interest expense and income taxes divided by interest expense.

Under current accounting principles generally accepted in Canada, the Debentures will be classified as a liability with a portion allocated to equity related to the conversion feature. The carrying value of the Debentures will be reduced by the financing charges. The difference between the face value and the carrying value of the Debentures will be accreted to interest expense over the term of such Debentures to increase the carrying value of the liability to the face value of the Debentures.

CONSOLIDATED CAPITALIZATION

As at September 30, 2009, the end of the most recently completed interim period of Calloway for which financial statements of Calloway have been filed in accordance with applicable Canadian securities legislation, Calloway had 82,766,139 trust units ("**Units**") and 16,364,472 Exchangeable Securities (as defined below) outstanding for a total of 99,130,611 Units and Exchangeable Securities in aggregate. In this prospectus supplement, "**Exchangeable Securities**" means any securities of any trust, limited partnership or corporation other than Calloway that are convertible or exchangeable directly for Units without the payment of additional consideration therefore. Since September 30, 2009, there have been no material changes in the capitalization of Calloway other than the issuance of 194,523 Units issued pursuant to the distribution reinvestment plan of Calloway, the conversion of debentures and the issuance of units from earnout proceeds. See "Prior Sales." As such, as at December 18, 2009, Calloway had 82,960,662 Units and 16,364,472 Exchangeable Securities outstanding for a total of 99,325,134 Units and Exchangeable Securities in aggregate. As at December 18, 2009 and assuming completion of this Offering, Calloway will have 85,060,662 Units and 16,364,472 Exchangeable Securities outstanding for a total of 101,425,134 Units and Exchangeable Securities in aggregate.

As at September 30, 2009, the indebtedness of Calloway, consisting of mortgages payable, development loans, unsecured debentures, convertible debentures and revolving operating facilities was approximately \$2,682,760,000. Since that time, as of December 18, 2009, the net indebtedness of Calloway has increased by approximately \$44,052,000 including an increase of approximately \$60,438,000 in connection with financing, acquisition and development activities, offset by a decrease of approximately \$4,778,000 to repay a portion of indebtedness, and a decrease of approximately \$11,608,000 to repay the scheduled amortization of mortgages payable. As a result of this Offering, the indebtedness of Calloway will increase by a further \$52,536,617. However, of the net proceeds of the Offering, it is currently anticipated that approximately \$92,000,000 will be used by Calloway to repay a portion of its indebtedness.. See "Use of Proceeds".

DETAILS OF THE OFFERING

Units

The offered Units shall be identical in terms to all other Units.

Debentures

*The Debentures will be issued under a trust indenture (the “**Trust Indenture**”) dated May 14, 2004 between Calloway and Computershare Trust Company of Canada (the “**Indenture Trustee**”), as supplemented by the second supplemental trust indenture to be dated as of the closing date of the Offering and to be entered into between Calloway and the Indenture Trustee (the **Trust Indenture**, as supplemented by the second supplemental trust indenture, are collectively referred to as the “**Supplemental Trust Indenture**”). The Trust Indenture authorizes Calloway to issue an unlimited aggregate principal amount of debt securities in one or more series. Each such issue, other than the initial series of 6.00% convertible unsecured subordinated debentures which were issued under the Trust Indenture, will be made by way of a supplemental indenture which will set out the terms of the relevant series of debt securities. The terms of the Debentures will be set out in the Supplemental Trust Indenture. The following is a summary of the material terms of the Debentures which does not purport to be complete. For full particulars of such terms, reference should be made to the Supplemental Trust Indenture.*

The Debentures will be limited in the aggregate principal amount to \$60,000,000. Calloway may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At the closing of this Offering, the Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “Details of the Offering – Book-entry, Delivery and Form”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 5.75% per annum, which will be payable semi-annually on June 30 and December 31 in each year, commencing with June 30, 2010; the first payment will include accrued and unpaid interest for the period from the closing of this Offering to June 30, 2010. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Supplemental Trust Indenture. At the option of Calloway, Calloway may deliver Units to the Indenture Trustee who shall sell such Units on behalf of Calloway in order to raise funds to satisfy all or any part of Calloway’s obligations to pay interest on the Debentures, but, in any event, the holders of Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the Debentures. See “Details of the Offering – Interest Payment Election”.

The principal on the Debentures will be payable in lawful money of Canada or, at the option of Calloway and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, its obligation to repay the principal amount of the Debentures, as further described under “Details of the Offering – Payment upon Redemption or Maturity”, “Details of the Offering – Redemption and Purchase” and “Details of the Offering – Put Right Upon a Change of Control”.

The Debentures will be direct obligations of Calloway and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other liabilities of Calloway as described under “Details of the Offering – Subordination”. The Supplemental Trust Indenture will not restrict Calloway from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Indenture Trustee in Toronto, Ontario and Calgary, Alberta.

Conversion Privilege

The Debentures will be convertible at the holder’s option into fully-paid, non-assessable and freely-tradeable Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the business day immediately preceding the date specified by Calloway for redemption of the Debentures, at a conversion price of \$25.75 per Unit (the “**Conversion Price**”) being a ratio of approximately 38.83495 Units per \$1,000 principal amount of Debentures. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures into Units shall be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest in respect thereof for the period

up to, but excluding, the date of conversion from the latest interest payment date. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding June 30 and December 31 each year, as the registers of the Indenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Supplemental Trust Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to all or substantially all holders of Units by way of distribution or otherwise other than an issue of securities to holders of Units who have elected to receive distributions in securities of Calloway in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then current market price (as defined below under “Details of the Offering – Payment upon Redemption or Maturity”) of the Units; and (d) the distribution to all holders of Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. Calloway will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the Units or in case of any amalgamation, consolidation or merger of Calloway with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of Calloway as, or substantially as, an entirety to any other entity, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, change, amalgamation, consolidation, merger or sale, be exercisable for the kind and amount of securities or property of Calloway, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, change, amalgamation, consolidation, merger or sale if on the effective date thereof it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale.

No fractional Units will be issued on any conversion of the Debentures but in lieu thereof Calloway shall satisfy such fractional interest by a cash payment equal to the current market price of such fractional interest.

Payment upon Redemption or Maturity

On redemption or at the Maturity Date, Calloway will repay the indebtedness represented by the Debentures by paying to the Indenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. Calloway may, at its option, on not more than 60 days and not less than 30 days prior notice and subject to any required regulatory approvals, unless an Event of Default (as defined below) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing Units, in whole or in part, to the holders of the Debentures. The number of Units to be issued will be determined by dividing the principal amount of the Debentures by 95% of the current market price of the Units on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Units will be issued to holders of Debentures but in lieu thereof Calloway shall satisfy such fractional interest by a cash payment equal to the current market price of such fractional interest.

The term “current market price” will be defined in the Supplemental Trust Indenture to mean the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

Interest Payment Election

Unless an Event of Default (as defined below) has occurred and is continuing, Calloway may elect, from time to time, subject to applicable regulatory approval, to issue and deliver freely-tradeable Units to the Indenture Trustee in order to raise funds to satisfy all or any part of Calloway’s obligations to pay interest on the Debentures in

accordance with the Supplemental Trust Indenture (the “**Unit Interest Payment Election**”) in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units by the Indenture Trustee. The Supplemental Trust Indenture will provide that, upon such election, the Indenture Trustee shall (i) accept delivery of Units from Calloway, (ii) accept bids with respect to, and consummate sales of, such Units, each as Calloway shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short term Canadian Government obligations, which mature prior to the applicable interest payment date; (iv) deliver proceeds to holders of Debentures sufficient to satisfy Calloway’s interest payment obligations; and (v) perform any other action necessarily incidental thereto. The amount received by a holder in respect of interest will not be affected by whether or not Calloway elects to utilize the Unit Interest Payment Election.

Neither Calloway’s making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of Debentures not being entitled to receive on the applicable interest payment date cash in an aggregate amount equal to the interest payable on such interest payment date, or (b) entitle such holders to receive any Units in satisfaction of the interest payable on the applicable interest payment date.

Redemption and Purchase

The Debentures may not be redeemed by Calloway on or before June 30, 2013. Thereafter, but prior to June 30, 2015, the Debentures may be redeemed, in whole at any time or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the current market price preceding the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On or after June 30, 2015 and prior to the Maturity Date, the Debentures may be redeemed by Calloway, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days and not less than 30 days prior written notice.

Calloway will have the right to purchase Debentures in the market, by tender or by private contract subject to regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, Calloway will not have the right to purchase the Debentures by private contract.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Indenture Trustee on a *pro rata* basis or in such other manner as the Indenture Trustee deems equitable, subject to the consent of the TSX.

Cancellation

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Supplemental Trust Indenture, to the prior payment in full of all Senior Indebtedness of Calloway. “**Senior Indebtedness**” of Calloway will be defined in the Supplemental Trust Indenture as all indebtedness of Calloway (whether outstanding as at the date of the Supplemental Trust Indenture or thereafter incurred) 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 Debentures. The Debentures will not limit the ability of the Trust to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

The Supplemental Trust Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Calloway, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Calloway, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Calloway, all creditors entitled to Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities,

which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Debentures will also be subordinate to claims of trade creditors of Calloway.

Guarantee

The Debentures will be guaranteed by the wholly-owned material subsidiaries of Calloway and certain of the wholly-owned corporate subsidiaries on a subordinated basis. All such current and future material subsidiaries will provide such a guarantee of the Debentures. In the case of default by Calloway, the Indenture Trustee will, subject to the Supplemental Trust Indenture, seek redress from such subsidiaries for the guaranteed obligations. These guarantees are intended to eliminate structural subordination, which arises as a consequence of certain Calloway assets being held in various subsidiaries of Calloway. A guarantor may be released from its guarantee in certain circumstances where it no longer remains a majority-owned subsidiary of Calloway. See “Risk Factors – Structural Subordination of Debentures”.

Put Right upon a Change of Control

Upon the occurrence of a change of control of Calloway involving the acquisition of voting control or direction over 66⅔% or more of the outstanding Units by any person or group of persons acting jointly or in concert (a “**Change of Control**”), each holder of Debentures may require Calloway to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “**Put Date**”), the whole or any part of such holder’s Debentures at a price equal to 101% of the principal amount thereof (the “**Put Price**”) plus accrued and unpaid interest to the Put Date.

If 90% or more in the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Calloway will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Indenture Trustee prior to the Put Date and as soon as possible thereafter, by the Indenture Trustee to the holders of the Debentures not tendered for purchase.

The principal on the Debentures will be payable in lawful money of Canada or, at the option of Calloway and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, its obligation to repay the principal amount of the Debentures.

The Supplemental Trust Indenture will contain notification provisions to the following effect that:

- (a) Calloway will promptly give written notice to the Indenture Trustee of the occurrence of a Change of Control and the Indenture Trustee will thereafter give to the holders of Debentures a notice of the Change of Control, the repayment right of the holders of Debentures and the right of Calloway to redeem untendered Debentures under certain circumstances; and
- (b) a holder of Debentures, to exercise the right to require Calloway to purchase its Debentures, must deliver to the Indenture Trustee, not less than five business days prior to the Put Date, written notice of the holder’s exercise of such right, together with a duly endorsed form of transfer.

Calloway will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Supplemental Trust Indenture may be modified in accordance with the terms of the Supplemental Trust Indenture. For that purpose, among others, the Supplemental Trust Indenture will contain certain provisions which will make binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the

meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the Supplemental Trust Indenture, the Indenture Trustee will have the right to make certain amendments to the Supplemental Trust Indenture in its discretion, without the consent of the holders of Debentures.

Events of Default

The Supplemental Trust Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if certain events described in the Supplemental Trust Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of Calloway under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Indenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable.

Offers for Debentures

The Supplemental Trust Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a takeover bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by holders of Debentures who did not accept the offer on the terms offered by the offeror.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners of a majority of the outstanding Units (on a fully-diluted basis). The Indenture Trustee may require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Indenture Trustee or the transfer agent and registrar of the Units (the “**Transfer Agent**”) becomes aware that the beneficial owners of 49% of the Units then outstanding (on a fully-diluted basis) are, or may be, non-residents, or that such a situation is imminent, the Indenture Trustee or the Transfer Agent may make a public announcement thereof and shall not register a transfer of Debentures or Units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Indenture Trustee or the Transfer Agent determines that a majority of the outstanding Units (on a fully-diluted basis) are held by non-residents, the Indenture Trustee or the Transfer Agent may send a notice to non-resident holders of Debentures or Units, chosen in inverse order to the order of acquisition or registration of the Debentures and Units or in such manner as the Indenture Trustee or the Transfer Agent may consider equitable and practicable, requiring them to sell their Debentures or Units or a portion thereof within a specified period of not less than 60 days. If the Debenture holders or Unitholders receiving such notice have not sold the specified number of Debentures or Units or provided the Indenture Trustee or the Transfer Agent with satisfactory evidence that they are not non-residents within such period, the Indenture Trustee or the Transfer Agent may on behalf of such Debentureholder or Unitholder sell such Debentures or Units, as the case may be, and, in the interim, shall suspend the rights attached to such Debentures or Units. Upon such sale the affected holders shall cease to be holders of Debentures or Units, as the case may be, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such Debentures or Units.

Book-entry, Delivery and Form of Debentures

Debentures will be issued in the form of fully-registered global Debentures (the “**Global Debentures**”) held by, or on behalf of, CDS or its successor, (the “**Depository**”) as custodian for its participants.

All Debentures will be represented in the form of Global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “**book-entry only**” form (unless Calloway, in its sole

discretion, elects to prepare and deliver definitive Debentures in fully-registered form). Beneficial interests in the Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (the “**participants**”). Each initial purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

If the Depository notifies Calloway that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and Calloway and the Indenture Trustee are unable to locate a qualified successor, or if Calloway elects, in its sole discretion, to terminate the book-entry system, with the consent of the Indenture Trustee, beneficial owners of Debentures represented by Global Debentures at such time will receive Debentures in registered and definitive form (the “**Definitive Debentures**”).

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless Calloway elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in the Depository’s book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Toronto, Ontario and Calgary, Alberta or such other city or cities as may from time to time be designated by Calloway whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer of a Debenture will be registered during the period beginning 15 days before the day of the mailing of a notice of redemption of the Debentures and ending at the close of business on the day of such mailing or during the periods commencing on any regular interest record date or special interest record date and ending on the next following interest payment date.

Payments

Payments of interest and principal on each Global Debenture will be made to the Depository or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of a Global Debenture, such Depository or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Supplemental Trust Indenture and the Debentures. The record date for the payment of interest will be that day which is the 15th day of the month preceding the month of the applicable interest payment date (or the first business day following such date if not a business day). Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to the Depository or its nominee, as the case may be.

Calloway understands that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of the Depository or its nominee. Calloway also understands that payments of

interest and principal by participants to the owners of beneficial interest in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such participants. The responsibility and liability of Calloway in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to the Depository or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture or if required under any applicable payment clearing system rules, or by cheque dated the interest payment date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures, at the close of business on the last business day (a business day for this purpose being a day on which banking institutions are open in the City of Toronto) of the month preceding the month of the applicable interest payment date. Payment of principal at maturity will be made at the principal office of the Paying Agent in the City of Toronto (or in such other city or cities as may from time to time be designated by Calloway) against surrender of the Definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Debenture is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Reports to Holders

Calloway shall file with the Indenture Trustee, within 15 days after the filing thereof with the Ontario Securities Commission, copies of Calloway’s annual report and the information, documents and other reports that Calloway is required to file with the Ontario Securities Commission and deliver to Unitholders. Notwithstanding that Calloway may not be required to remain subject to the reporting requirements of the Ontario Securities Commission, Calloway shall provide to the Indenture Trustee (a) within 90 days after the end of each fiscal year, an annual financial statement of Calloway, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Calloway which shall, at a minimum, contain such information as is required to be provided in quarterly reports under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not Calloway has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. Calloway will provide copies of such information, documents and reports to holders of Debentures upon request.

Governing Law

Each of the Supplemental Trust Indenture and the Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as Ontario contracts.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, Calloway has agreed to sell and the Underwriters have severally agreed to purchase on January 5, 2010, or on such later date as may be agreed upon, but in any event not later than January 12, 2010, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, an aggregate of 2,100,000 Units at a purchase price of \$19.05 per Unit and a \$60,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture, for an aggregate gross consideration of \$100,005,000 payable in cash to Calloway by the Underwriters against delivery of the Units and the Debentures on the closing of the Offering. For its services rendered in connection with the Offering, the Underwriters will receive fees of \$1,600,200 from the sale of the Units pursuant to this Offering (\$0.762 per Unit) and \$2,250,000 from the sale of the Debentures pursuant to this Offering (\$37.50 per Debenture) for a combined aggregate fee of \$3,850,200. See “Use of Proceeds”.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

If one or more of the Underwriters fails to purchase their allotment of the Units and the Debentures, the remaining Underwriter or Underwriters may, but are not obligated to, purchase the Units and the Debentures not purchased by the Underwriter or Underwriters who failed to purchase. The Underwriters are, however, obligated to take up and pay for all of the Units and the Debentures if any of the Units and the Debentures are purchased under the Underwriting Agreement.

Calloway has agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

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

Calloway has been advised by the Underwriters that, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market.

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

The Underwriters propose to offer the Units and the Debentures to the public at the offering price of \$19.05 per Unit and \$1,000 per Debenture, respectively. After the Underwriters have made a reasonable effort to sell all of Units and the Debentures at those prices, the respective offering price to the public may be decreased and may be further changed from time to time to an amount not greater than \$19.05 per Unit and \$1,000 per Debenture, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Units or the Debentures is less than the price paid by the Underwriters to Calloway.

Calloway has agreed with the Underwriters not to issue or sell Units or Debentures, other equity securities or other securities convertible or exchangeable into equity securities (or agree to do so or publicly announce any intention to do so) for a period of 90 days following the date of closing of the Offering, without the prior consent of the Underwriters, other than in connection with specific types of transactions.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. See “Risk Factors”. The TSX has conditionally approved the listing of the Debentures distributed

under this prospectus supplement (and the Units issuable on conversion of the Debentures). Listing of the Debentures (and the Units issuable on conversion of the Debentures) is subject to Calloway fulfilling all of the requirements of the TSX on or before March 16, 2010.

The Units are listed on the TSX under the trading symbol “CWT.UN”. Calloway has obtained conditional approval to list the additional Units to be distributed pursuant to this Offering on the TSX. Listing is subject to Calloway fulfilling the requirements of the TSX on or before March 16, 2010. On December 16, 2009, the last completed trading day prior to the announcement of the Offering, the closing price of the Units on the TSX was \$19.52.

PRIOR SALES

The following table sets out, for the Units and Exchangeable Securities, and for securities that are convertible into the foregoing, a description of each prior sale that occurred in the 12-month period before the date of this prospectus supplement:

<u>Date</u>	<u>Issuance Type</u> ⁽¹⁾	<u>Total Number of Securities Issued</u>	<u>Issuance Price per Security</u>
January 2, 2009	Issuance of deferred units under Deferred Unit Plan	57,523	\$10.76
January 15, 2009	Distribution Reinvestment Plan	98,030	\$11.40
January 15, 2009	Exchange of deferred units for Units under Deferred Unit Plan	24,404	n/a
February 17, 2009	Distribution Reinvestment Plan	111,077	\$10.77
February 25, 2009	Issuance of deferred units under Deferred Unit Plan	91,221	\$10.58
March 16, 2009	Distribution Reinvestment Plan	122,948	\$9.23
March 30, 2009	Exchange of deferred units for Units under Deferred Unit Plan	8,638	n/a
April 15, 2009	Distribution Reinvestment Plan	114,820	\$9.92
May 15, 2009	Distribution Reinvestment Plan	141,341	\$12.12
June 15, 2009	Distribution Reinvestment Plan	34,380	\$13.54
June 30, 2009	Acquisition 1 Earn-Out Proceeds – Issuance of Units	10,228	\$10.50
July 15, 2009	Distribution Reinvestment Plan	38,464	\$12.26
August 17, 2009	Distribution Reinvestment Plan	78,366	\$14.69
August 25, 2009	Issuance of Units pursuant to public offering	3,226,000	\$15.50
September 15, 2009	Distribution Reinvestment Plan	37,493	\$16.48
September 21, 2009	Conversion of 6% Debentures	294	\$17.00
September 23, 2009	Exchange of deferred units for Units under Deferred Unit Plan	6,454	N/A
October 15, 2009	Distribution Reinvestment Plan	36,898	\$17.45
October 30, 2009	Acquisition 1 Earn-Out Proceeds – Issuance of Units	1,882	\$10.50
November 16, 2009	Distribution Reinvestment Plan	79,108	\$17.60
November 16, 2009	Conversion of 6% Debentures	470	\$17.00
December 15, 2009	Distribution Reinvestment Plan	76,165	\$18.49

Note:

- (1) Capitalized terms in this column have the meanings ascribed to them in Calloway’s annual information form dated February 25, 2009.

RELATIONSHIP BETWEEN CALLOWAY AND CERTAIN OF THE UNDERWRITERS

In connection with this Offering, Calloway may be considered a “connected issuer” to CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Scotia Capital Inc., and HSBC Securities (Canada) Inc. under applicable securities laws. The Canadian chartered bank affiliates of each of the aforementioned Underwriters (the “**Lenders**”) are lenders under credit facilities or mortgage loans (the “**Facilities**”) provided to Calloway, and the Facilities are secured by, among other things, first priority charges over specific properties of Calloway, general security interests over the secured properties and a general assignment of rents over the secured properties. As at September 30, 2009, a total of approximately \$76,000,000 was outstanding under the Facilities. Subsequent to September 30, 2009, Calloway increased its indebtedness by approximately \$16,000,000 under the Facilities. Calloway is in compliance with all material terms and conditions of the Facilities.

The terms, structuring and pricing of the Offering were determined solely by negotiation between Calloway and the Underwriters. The Lenders did not play any role in those determinations or decisions. A portion of the proceeds of the Offering is payable to the Underwriters for their fees and expenses. Calloway is also proposing to use a portion of the net proceeds from the Offering to pay down certain of the Facilities. See “Plan of Distribution” and “Use of Proceeds”.

USE OF PROCEEDS

The estimated net proceeds to Calloway from this Offering, after deducting the Underwriters’ fees of \$3,850,200 and the estimated expenses of the issue estimated to be approximately \$375,000, will be approximately \$95,779,800.

Of the net proceeds of the Offering, it is currently anticipated that approximately \$92,000,000 will be used to pay down amounts owing under its revolving acquisition and operating facilities (included in the Facilities) and \$3,779,800, being the balance, will be used by Calloway to finance future acquisitions and for general trust purposes. Affiliates of CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc., four of the Underwriters, are lenders under these facilities. The amounts borrowed under these facilities have been used by Calloway to fund its acquisition and development activity over the last few years and for general trust purposes. It is anticipated that Calloway will continue to use these facilities to partially fund its future acquisition and development activity. See “Relationship Between Calloway and Certain of the Underwriters”.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Shea Nerland Calnan LLP, counsel to Calloway, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Debentures and/or Units, as applicable (a “**Holder**”), who acquires Units and/or Debentures pursuant to this Offering and who, at all relevant times, for purposes of the Tax Act, is resident in Canada, holds the Debentures and/or Units, as applicable, as capital property and deals at arm’s length and is not affiliated with Calloway. Generally, the Debentures and Units will be considered capital property to a Holder provided that the Holder does not hold the Debentures and Units in the course of carrying on a business of buying and selling securities and has not acquired them as an adventure in the nature of trade. Certain Holders whose Debentures and Units might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making an irrevocable election permitted by subsection 39(4) of the Tax Act applicable to all Canadian securities owned by the Holder in the year of the election and all subsequent years.

This summary is not applicable to a Holder that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules) or a “specified financial institution”, or a Holder an interest in which is a “tax shelter investment” (all as defined in the Tax Act), or a Holder which reports its Canadian tax results in a functional currency (which excludes Canadian dollars) under the Tax Act. Such Holders should consult their own tax advisors having regard to their particular circumstances.

This summary is based upon the facts set out in the Short Form Prospectus and this prospectus supplement, the current provisions of the Tax Act and the Regulations in force at the date of this prospectus supplement, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel’s understanding of the current administrative and assessing policies and practices of the Canada Revenue Agency (the “**CRA**”) published in writing by it. There can be no assurance that the proposed amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessing practices of the CRA, nor does it take into account any other federal, or provincial, territorial or foreign income tax considerations. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, prospective purchasers should consult their own tax advisors

for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Debentures or Units, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring and holding the Units and/or Debentures. All distributions on the Units to non-residents, whether in cash or additional Units, will be net of any applicable withholding taxes.

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

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

Status of Trust

Calloway has advised counsel that it is, and expects that it will continue at all times to qualify as, a unit trust and a mutual fund trust under the provisions of the Tax Act, and has provided a certificate to support such advice. This summary therefore assumes that Calloway does and will continue to so qualify. In addition, Calloway has advised in an officer's certificate that it has elected pursuant to the Tax Act to be deemed to be a mutual fund trust from the date it was established. If Calloway were not to qualify as a mutual fund trust under the Tax Act, the income tax consequences described below would in some respects be materially different.

Taxation of Debentureholders

Taxation of Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or a trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Debentures that accrues to the Holder to the end of that taxation year or that becomes receivable by or is received by the Holder before the end of that taxation year, except to the extent that the Holder included that interest in computing its income for a preceding taxation year.

Any other Holder will be required to include in computing its income for a taxation year all interest on the Debentures received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that the Holder included that interest in income for a preceding taxation year. In addition, such Holder will be required to include in computing the Holder's income for a taxation year any interest that accrued to the Holder to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent that such interest was not otherwise included in computing the Holder's income for that or a previous taxation year.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 ²/₃% on investment income, which generally includes interest income.

Exercise of Conversion Privilege

A Holder of a Debenture who converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional Units. Upon disposition, any interest paid to a Holder must be included in computing the income of the Holder, except to the extent that it was included in computing the income of the Holder for that or a previous taxation year. A Holder will generally realize a capital gain (or capital loss) equal to the amount by which the Holder's proceeds of disposition are greater (or less) than the adjusted cost base to the Holder of the Debenture and any reasonable costs

of disposition. See the discussion of “Capital Gains and Capital Losses” below. The cost to the Holder of the Units so acquired will also be equal to the fair market value thereof at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property for the purpose of calculating the adjusted cost base of such Units to the Holder.

Redemption or Repayment of Debenture

If Calloway redeems a Debenture prior to the Maturity Date or repays a Debenture upon the Maturity Date and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received as interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have proceeds of disposition equal to the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units. Upon disposition, any interest paid to a Holder must be included in computing the income of the Holder, except to the extent that it was included in computing the income of the Holder for that or a previous taxation year. A Holder will generally realize a capital gain (or capital loss) equal to the amount by which the Holder’s proceeds of disposition are greater (or less) than the adjusted cost base to the Holder of the Debenture and any reasonable costs of disposition. See the discussion of “Capital Gains and Capital Losses” below. The cost to the Holder of the Units so received will also be equal to the fair market value thereof, and must be averaged with the adjusted cost base of all other Units held as capital property for the purpose of calculating the adjusted cost base of such Units.

Disposition of Debentures

A disposition or deemed disposition by a Holder of a Debenture (other than on a conversion, redemption or repayment) will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. See the discussion of “Capital Gains and Capital Losses” below.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder’s income, except to the extent such amount was otherwise included in the Holder’s income, and will be excluded in computing the Holder’s proceeds of disposition of the Debenture. In general, there may be deducted in computing a Holder’s income the amount of such accrued interest included in the Holder’s income, to the extent such amount was not received or receivable by the Holder in the year of disposition or a preceding year.

Capital Gains and Capital Losses

One-half of any capital gain generally must be included in the Holder’s income for the taxation year of the disposition, and one half of any capital loss realized in a taxation year may generally be deducted from taxable capital gains realized in the year of disposition, and may be deducted from taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard.

A Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 ²/₃% on investment income, including taxable capital gains.

Taxation of Unitholders

A Unitholder is generally required to include in computing income for tax purposes in each year the portion of the income of Calloway for the year, including the taxable portion of net realized capital gains, determined for the purposes of the Tax Act, that is paid or payable to such Unitholder in the year.

The Declaration of Trust provides that net income and net taxable gains for the purposes of the Tax Act will be allocated to Unitholders in the same proportion as distributions received by Unitholders.

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

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The Declaration of Trust generally requires Calloway to claim the maximum amount of capital cost allowance available to it in computing its income for tax purposes unless the Trustees otherwise determine. Based on Calloway's distribution policy, the amount distributed to Unitholders in a year may exceed the net income and net realized taxable capital gains of Calloway for that year. Such excess distributions will not be included in computing the income of Unitholders for tax purposes. However, a Unitholder is required to reduce the adjusted cost base of the Unitholder's Units by the amount paid or payable to the Unitholder by Calloway (other than the non-taxable portion of capital gains designated by Calloway) that was not included in computing the Unitholder's income and will realize a capital gain in the year to the extent the adjusted cost base of the Units would otherwise be a negative amount. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before the acquisition in accordance with the detailed provisions of the Tax Act.

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gains designated by Calloway in respect of a Unitholder will generally be included in the Unitholder's income as a taxable capital gain and one-half of any capital loss realized by a Unitholder may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent permitted in the Tax Act.

A Unitholder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including amounts of interest and taxable capital gains.

Trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, tax free savings account and deferred profit sharing plans will generally not be liable for tax in respect of any distributions received from Calloway or any capital gains arising on the disposition of the Units.

Alternative Minimum Tax

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

SIFT Rules

Pursuant to the recent amendments to the Tax Act, the taxation regime applicable to specified investment flow-through trusts or partnerships ("SIFTs") and investors in SIFTs has been altered. If Calloway were to become subject to these new rules (the "SIFT Rules"), it generally would be taxed in a manner similar to corporations on income from business carried on in Canada by Calloway and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Tax Act), at a combined federal/provincial tax rate similar to that of a corporation. In general, distributions paid as returns of capital will not be subject to this tax. The SIFT Rules are applicable beginning with the 2007 taxation year of a trust unless the trust would have been a "SIFT trust" (as defined in the Tax Act) on October 31, 2006 if the definition had been in force and applied to the trust on that date (the "Existing Trust Exemption"). For trusts that meet the Existing Trust Exemption, including Calloway, the

SIFT Rules will apply commencing in the 2011 taxation year, assuming compliance with the “normal growth” guidelines issued by the Department of Finance (Canada) on December 15, 2006, as amended from time to time (the “**Normal Growth Guidelines**”). The SIFT Rules are not applicable to a real estate investment trust that meets certain specified criteria relating to the nature of its revenue and investments (the “**REIT Exemption**”). Calloway intends to qualify for the REIT Exemption prior to 2011.

RISK FACTORS

There are risks associated with an investment in the Units and the Debentures being distributed under the Offering. In addition to the risks described herein, reference is made to the risks described in the Short Form Prospectus including Calloway’s annual information form and management’s discussion and analysis which are incorporated herein by reference. See “Documents Incorporated by Reference”.

Credit Ratings and Stability Ratings

The Debentures offered hereby have not been rated. DBRS has provided Calloway with a credit rating of BBB with a stable trend relating to all senior unsecured obligations of Calloway including Calloway’s (i) 4.51% Debentures, (ii) 5.37% Debentures, (iii) 10.25% Debentures and (iv) 7.95% Debentures. A credit rating of BBB is generally an indication of adequate credit quality as defined by DBRS. DBRS has provided Calloway with a stability rating of STA-3 (high). This rating category reflects good stability and sustainability of distributions per unit. DBRS has not provided a credit rating on (i) the Debentures offered hereby, (ii) Calloway’s 6% Convertible Debentures or (iii) Calloway’s 6.65% Convertible Debentures.

Credit ratings and stability ratings are intended to provide investors with an independent measure of credit quality and sustainability of cash distributions, respectively, of various issues of securities. The credit rating accorded by DBRS to the outstanding unsecured senior debentures, and the stability rating on the outstanding Units, is not a recommendation to buy, sell or hold those securities 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 the credit rating on the outstanding unsecured senior debentures or the stability rating on the outstanding Units may affect the market value of the Debentures and / or the Units.

Units

Dilution

While the net proceeds of the Offering are expected to enhance Calloway’s liquidity, to the extent that a portion of the net proceeds of the Offering remains as cash, or is used to pay down indebtedness with a low interest rate, the Offering is expected to result in dilution, on a per Unit basis, to Calloway’s net income and other measures used by Calloway.

Certain Canadian Federal Income Tax Considerations

No assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects Calloway.

Management has advised counsel that the total amount of all previous equity issuances and all currently contemplated issuances, determined in accordance with the Normal Growth Guidelines, should not cause Calloway to exceed its available growth for the period from November 1, 2006 to date. It is assumed that Calloway will not currently be subject to the SIFT Rules. However, in the event that Calloway issues additional units or convertible debentures (or other equity securities) on or before 2011, Calloway may become subject to the SIFT Rules prior to its 2011 taxation year. No assurance can be given that the SIFT Rules will not apply to Calloway prior to its 2011 taxation year.

Calloway currently intends to qualify for the REIT Exemption prior to 2011. In order to so qualify, Calloway may need to discontinue certain of its activities. If Calloway were not to qualify for the REIT Exemption, it will be subject to the SIFT Rules in 2011 (subject to compliance with the Normal Growth Guidelines).

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.

The wholly-owned material subsidiaries of Calloway and certain wholly-owned corporate subsidiaries of Calloway will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Supplemental Trust Indenture, be entitled to seek redress from such wholly-owned subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination which arises as a consequence of certain Calloway assets being held in various subsidiaries. Although all wholly-owned material subsidiaries will provide a guarantee, not all subsidiaries of Calloway will provide such a guarantee. In addition, there can be no assurance that the Indenture Trustee will, or will be able to, effectively enforce the guarantee. See “Details of the Offering – Guarantee”.

Coverage Ratios

See “Earnings Coverages” which is relevant to an assessment of the risk that Calloway will be unable to pay interest or principal on the Debentures when due.

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, may decline as prevailing interest rates for comparable debt instruments rise, and may increase as prevailing interest rates for comparable debt instruments decline.

Trading Market for Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this prospectus supplement. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation.

If the Debentures are traded after their initial issuance, they may trade at a discount from their initial public offering price 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.

Conversion Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if Calloway were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into Units

whose value would vary depending on Calloway’s future prospects and other factors. See “Details of the Offering – Conversion Privileges”.

Dilutive Effects on Holders of Units in the Event of the Redemption of Convertible Debentures

Calloway may determine to redeem the Debentures, and / or any other outstanding convertible debentures it may have issued from time to time, for Units or to settle the interest and/or pay the redemption price at maturity of such convertible debentures by issuing additional Units. Accordingly, holders of Units may suffer dilution in the event of any such redemption.

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.

TRANSFER AGENT AND REGISTRAR

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

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>	
2008			
November	\$14.91	\$7.77	5,921,373
December.....	\$11.79	\$8.60	4,140,791
2009			
January.....	\$12.79	\$10.85	4,030,137
February.....	\$11.78	\$10.05	2,527,201
March.....	\$10.70	\$8.91	2,977,876
April.....	\$10.93	\$9.81	4,863,824
May.....	\$13.81	\$10.50	5,114,494
June.....	\$14.55	\$12.46	6,268,204
July	\$14.62	\$12.04	5,440,367
August.....	\$17.49	\$14.01	6,620,021
September	\$19.96	\$15.83	5,421,671
October	\$19.00	\$17.20	3,873,800
November	\$19.02	\$17.35	3,085,958
December 1 – 16.....	\$19.75	\$18.60	<u>1,731,229</u>
Total for Periods			<u>62,016,946</u>

6% Convertible Debentures

The 6% Convertible Debentures 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>		
2008				
November	\$90.00	\$79.99	1,440	117,697.60
December.....	\$76.05	\$75.01	90	6,822.50
2009				
January.....	\$92.00	\$83.65	590	53,528.50
February.....	\$96.00	\$92.00	340	31,990.00
March.....	\$96.00	\$95.00	110	10,470.00
April.....	\$98.00	\$94.00	430	41,140.00
May.....	\$100.00	\$92.00	1060	102,200.00
June.....	\$100.00	\$100.00	1310	131,000.00
July.....	\$102.00	\$101.00	500	50,800.00
August.....	\$105.00	\$105.00	10	1,050.00
September.....	\$110.00	\$105.00	910	98,911.70
October.....	\$109.98	\$105.00	1,250	132,951.10
November.....	\$113.00	\$104.12	1,090	119,467.30
December 1 – 16.....	\$115.71	\$115.71	<u>160</u>	<u>18,513.60</u>
Total for Periods			<u>9,290</u>	<u>916,542.30</u>

6.65% Convertible Debentures

The 6.65% Convertible Debentures are listed and posted for trading on the TSX under the trading symbol “CWT.DB.A”. The following table sets forth the reported high and low sales prices, the volume traded and the value traded for the 6.65% 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>		
2008				
November.....	\$97.99	\$75.01	23,240	2,008,644
December.....	\$87.00	\$77.50	23,460	1,907,897
2009				
January.....	\$98.00	\$82.60	8,090	741,300
February.....	\$97.00	\$82.10	12,710	1,173,140
March.....	\$97.50	\$88.00	10,570	973,598
April.....	\$99.99	\$93.50	14,230	1,362,852
May.....	\$100.00	\$96.00	12,340	1,206,088
June.....	\$99.89	\$96.00	21,410	2,114,091
July.....	\$102.00	\$98.50	12,560	1,259,589
August.....	\$103.00	\$100.00	10,160	1,034,635
September.....	\$103.25	\$101.00	20,400	2,086,234
October.....	\$104.00	\$101.25	12,630	1,294,383
November.....	\$104.50	\$102.40	7,480	771,802
December 1 – 16.....	\$104.00	\$102.50	<u>7,360</u>	<u>760,856</u>
Total for Periods			<u>196,640</u>	<u>18,695,109</u>

LEGAL MATTERS

Legal matters in connection with the issuance of the Units and the Debentures offered by this prospectus supplement will be passed upon at the date of closing on behalf of Calloway by Shea Nerland Calnan LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

As of the date hereof, the partners and associates of Shea Nerland Calnan LLP, as a group, and McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding units of Calloway. David M. Calnan, a partner of Shea Nerland Calnan LLP, is a member of the board of trustees of Calloway.

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the short form base shelf prospectus of Calloway Real Estate Investment Trust (“**Calloway**”) dated October 9, 2009 relating to the issuance and sale of Trust Securities and the prospectus supplement of Calloway dated December 18, 2009 relating to the issuance and sale of 2,100,000 Units and \$60,000,000 5.75% convertible unsecured subordinated debentures. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the use through incorporation by reference in the above mentioned prospectus supplement of our report to the Unitholders of Calloway on the consolidated balance sheets of Calloway as at December 31, 2008 and 2007 and the consolidated statements of income and comprehensive income, equity and cash flows for the years then ended. Our report is dated February 25, 2009.

Toronto, Ontario
December 18, 2009

(signed) “*PricewaterhouseCoopers LLP*”
Chartered Accountants,
Licensed Public Accountants

CERTIFICATE OF THE GUARANTORS

Dated: December 18, 2009

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

CALLOWAY HOLDINGS TRUST

By: (Signed) "*Simon Nyilassy*"
President

By: (Signed) "*Bart Munn*"
Chief Financial Officer

On behalf of the Board of Trustees of Calloway Holdings Trust

By: (Signed) "*Simon Nyilassy*"
Trustee

By: (Signed) "*David M. Calnan*"
Trustee

CALLOWAY LIMITED PARTNERSHIP,
BY ITS GENERAL PARTNER, CALLOWAY GP INC.

By: (Signed) "*Simon Nyilassy*"
President

By: (Signed) "*Bart Munn*"
Chief Financial Officer

On behalf of the Board of Directors of Calloway GP Inc.

By: (Signed) "*Simon Nyilassy*"
Director

By: (Signed) "*David M. Calnan*"
Director

CALLOWAY GP INC.

By: (Signed) "*Simon Nyilassy*"
President and Director

By: (Signed) "*Bart Munn*"
Chief Financial Officer

On behalf of the Board of Directors of Calloway GP Inc.

By: (Signed) "*Simon Nyilassy*"
Director

By: (Signed) "*David M. Calnan*"
Director

CALLOWAY REAL ESTATE INVESTMENT TRUST INC.

By: (Signed) "*Simon Nyilassy*"
President and Director

By: (Signed) "*Bart Munn*"
Chief Financial Officer

On behalf of the Board of Directors of Calloway Real Estate Investment Trust Inc.

By: (Signed) "*Simon Nyilassy*"
Director

By: (Signed) "*David M. Calnan*"
Director

CERTIFICATE OF THE GUARANTORS (continued)

CALLOWAY FINANCIAL INC.

By: (Signed) "*Simon Nyilassy*"
President and Director

By: (Signed) "*Bart Munn*"
Chief Financial Officer

On behalf of the Board of Directors of Calloway Financial Inc.

By: (Signed) "*Simon Nyilassy*"
Director

By: (Signed) "*David M. Calnan*"
Director

UNDERWRITERS' CERTIFICATE

Dated: December 18, 2009

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

CIBC WORLD MARKETS INC.

By: (Signed) ALLAN S. KIMBERLEY

RBC DOMINION SECURITIES INC.

By: (Signed) WILLIAM WONG

BMO NESBITT BURNS INC.

By: (Signed) DEREK DERMOTT

TD SECURITIES INC.

By: (Signed) ARMEN FARIAN

SCOTIA CAPITAL INC.

By: (Signed) STEPHEN SENDER

NATIONAL BANK FINANCIAL INC.

By: (Signed) CRAIG J. SHANNON

DUNDEE SECURITIES CORPORATION

By: (Signed) ONORIO LUCCHESI

GENUITY CAPITAL MARKETS

By: (Signed) MICHAEL LEVIN

HSBC SECURITIES (CANADA) INC.

By: (Signed) NICOLE CATY

MACQUARIE CAPITAL MARKETS
CANADA LTD.

By: (Signed) RON RIMER