



## **ANNUAL INFORMATION FORM**

**Year Ended December 31, 2008**

March 27, 2009

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## GLOSSARY

Unless otherwise defined in this Annual Information Form, the following capitalized terms have the meanings set out below.

“**AIF**” means this Annual Information Form.

“**Board**” or “**Board of Trustees**” means the Board of Trustees of Crombie.

“**CDL**” means Crombie Developments Limited.

“**Class B LP Units**” means Class B Limited Partnership Units of Crombie LP.

“**Crombie LP**” means Crombie Limited Partnership.

“**Crombie**” means Crombie Real Estate Investment Trust.

“**CS Trust**” means Crombie Subsidiary Trust.

“**ECL**” means ECL Properties Limited, a company existing under the laws of the Province of Nova Scotia and a wholly-owned indirect subsidiary of Empire.

“**Empire**” means Empire Company Limited.

“**Empire Demand Facility**” means the available line of credit of Crombie with Empire.

“**GLA**” means gross leaseable area.

“**Independent Trustees**” means a trustee of Crombie who, in the opinion of the Board of Trustees of Crombie, does not have a direct or indirect material relationship with Crombie.

“**NOI**” means the difference between revenue and expenses for the commercial properties.

“**Revolving Credit Facility**” means the operating line of credit of Crombie, which is collateralized by first and second pledges on certain commercial properties.

“**Sobeys**” means Sobeys Inc., a subsidiary of Empire, or stores operated by Sobeys Inc. or its subsidiaries.

“**Special Voting Units**” means special voting units of Crombie.

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

“**Units**” means the units of Crombie.

All disclosure is as of December 31, 2008, unless otherwise indicated.

This Annual Information Form contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed under "Risks", could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

In particular, certain statements in this document discuss Crombie's anticipated outlook of future events. These statements include, but are not limited to:

- (a) the development of new properties under a development agreement, which development activities are undertaken by a related party and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;
- (b) the acquisition of accretive properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (c) making improvements to the properties, which could be impacted by the availability of labour and capital resource allocation decisions;
- (d) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (e) overall indebtedness levels, which could be impacted by the level of acquisition activity Crombie is able to achieve and future financing opportunities;
- (f) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
- (g) anticipated subsidy payments from ECL Developments Limited, which are dependent on tenant leasing and construction activity;
- (h) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;
- (i) anticipated accretion levels relating to portfolio acquisitions, which are dependent on interest and liquidity risks. The accretion levels as stated in Crombie's 2008 Management's Discussion and Analysis are based on the anticipated fixed rates of permanent financing;
- (j) anticipated permanent placement of debt financing relating to a portfolio acquisition which is dependent on liquidity risks; and
- (k) the effect that any contingencies would have on Crombie's financial statements.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

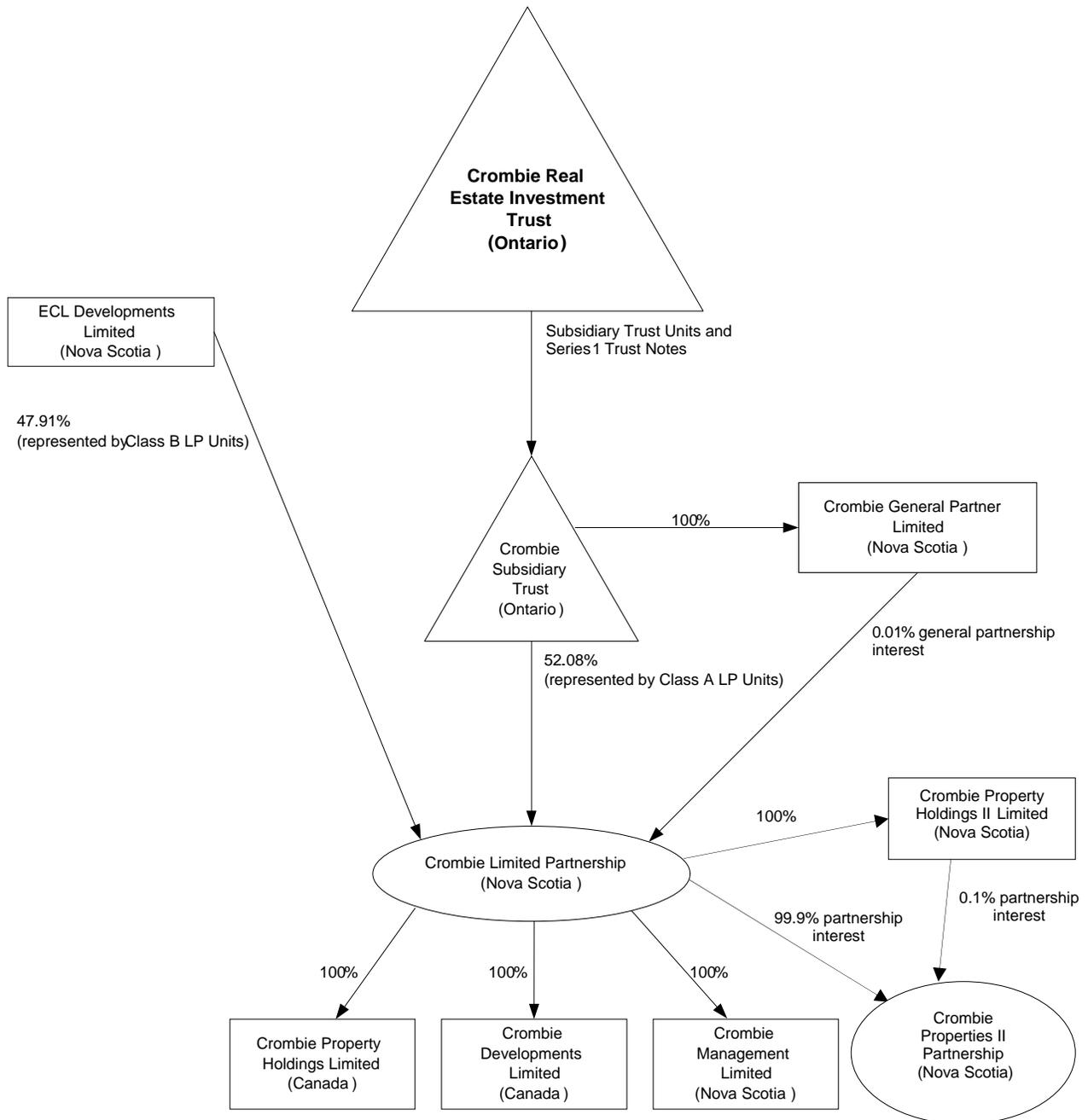
## STRUCTURE OF CROMBIE

### Name and Establishment

Crombie is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated January 1, 2006, as amended and restated (the “Declaration of Trust”) under, and governed by, the laws of the Province of Ontario. The principal, registered and head office is located at 115 King Street, Stellarton, Nova Scotia, B0K 1S0.

### Organizational Structure

The following chart shows the names of the principal subsidiaries of Crombie, their respective jurisdictions of incorporation, and the percentages of voting and non-voting securities owned by Crombie.



## GENERAL DEVELOPMENT OF CROMBIE

Crombie was created to invest in income-producing retail, office and mixed-use properties located in Canada, with a growth strategy focused primarily on the acquisition of retail properties.

On March 23, 2006, Crombie completed its initial public offering (“IPO”) of 20,485,224 units for total gross proceeds of \$204.9 million and acquired 44 commercial properties in six provinces, totalling approximately 7.2 million square feet of GLA, from certain affiliates of Empire (the “Empire Subsidiaries”). An amended and restated NI 51-102 F4 - *Business Acquisition Report* in respect of this acquisition was filed via SEDAR on July 27, 2006. Crombie had no operations prior to March 23, 2006.

The purchase price of the 44 commercial properties was paid by a cash payment of approximately \$263.5 million funded in part by the proceeds from the initial public offering, the issuance of Class B units of Crombie LP (the “Class B LP Units”) in the amount of \$200.8 million and by the assumption of debt including a combination of fixed rate secured debt with staggered debt maturities and floating rate secured revolving debt. The fixed rate debt consisted of \$144.2 million of commercial mortgage backed securities carrying a weighted average interest rate of 5.42% and a weighted average maturity of 10 years; and assumed mortgages of approximately \$168.9 million, with a weighted average interest rate of 5.54% and a weighted average maturity of 6.4 years. In addition, Crombie entered into a \$150 million revolving credit facility (the “Revolving Credit Facility”) with a syndicate of Canadian chartered banks of which approximately \$82.9 million was utilized on March 23, 2006.

Throughout 2006 and 2007, Crombie acquired, in aggregate, seven properties in Ontario and one property in Quebec, totalling approximately 608,000 square feet, for a total acquisition cost of approximately \$115 million, excluding additional closing costs.

On April 22, 2008, Crombie closed an acquisition of a 61 retail property portfolio representing approximately 3.3 million square feet of GLA (the “Portfolio Acquisition”) from subsidiaries of Empire. The cost of the Portfolio Acquisition to Crombie was \$428.5 million, excluding closing and transaction costs. The portfolio consists of 40 single-use freestanding Sobeys grocery stores of various Sobeys banners, 20 Sobeys anchored retail strip centres and one Sobeys anchored partially enclosed centre. The GLA of the portfolio is geographically distributed as follows: Atlantic Canada – 78%; Quebec – 7%; and Ontario – 15%.

Crombie received approval by a majority of its unitholders (excluding subsidiaries of Empire and certain of its affiliates and insiders) to proceed with the Portfolio Acquisition at a meeting held on April 14, 2008.

In order to partially finance the Portfolio Acquisition, on March 20, 2008, Crombie completed a public offering of 5,727,750 subscription receipts, including the over-allotment option, at a price of \$11.00 per subscription receipt (each subscription receipt converted into one Unit of Crombie upon closing) and \$30 million of convertible extendible unsecured subordinated debentures (the “Debentures”) to a syndicate of underwriters led by CIBC World Markets Inc. and TD Securities Inc. for aggregate gross proceeds of \$93 million.

Subsidiaries of Empire took \$55 million of the purchase price in Class B LP Units of Crombie Limited Partnership at the \$11.00 offering price. Empire holds a 47.9% economic and voting interest in Crombie as of December 31, 2008.

The remainder of the purchase price was satisfied with a \$280 million, 18 month floating rate term financing (“Term Facility”) from the Bank of Nova Scotia and a draw on Crombie’s Revolving Credit Facility. On September 30, 2008, Crombie completed a refinancing of \$100 million of the Term Facility with fixed rate mortgages. Subsequent to December 31, 2008, Crombie completed mortgage refinancing

on an additional \$39 million of the Term Facility. It is Crombie's intention to replace the remaining Term Facility by suitable long-term financing.

On June 12, 2008, Crombie acquired one property in Saskatchewan for a total purchase price of \$27.2 million, excluding closing and transaction costs, and, on October 24, 2008, Crombie disposed of one property in Nova Scotia for total proceeds of \$10.4 million. Crombie used the proceeds from the sale to defease the CMBS mortgage outstanding on the property at a total cost of approximately \$9 million. The remaining balance of funds, net of expenses, was used to reduce the Term Facility.

### **Trends**

During 2008, credit markets experienced a dramatic reduction in liquidity. As the credit crisis deepened during the second half of 2008, both the ability and willingness of financial institutions to lend money was greatly reduced as financial institutions became increasingly risk adverse. This reduced credit availability continues to be a major risk to the capital intensive real estate investment trust ("REIT") business environment. This reduction in available credit, combined with overall volatility in North American stock markets, has negatively impacted the unit price of many REITs.

The turmoil in the financial markets also caused bond yields to materially decline and reduced interest rate swap spreads to unprecedented levels during the fourth quarter of 2008. This resulted in a significant deterioration of the mark-to-market values during the final quarter of 2008 for the interest rate swap agreements Crombie has entered into to hedge its exposure to potential increases in Canadian bond yields associated with future debt issuances.

Interest in investing in the real estate market has begun to moderate from 2007 and thus capitalization rates have begun to expand in light of the widening credit spreads, a limited liquidity credit environment and the recent deterioration in the unit price of many REITs. While it may be very challenging to source accretive acquisitions under these current market conditions, Crombie still intends to continue to pursue acquisitions that provide an acceptable return, including any acquisitions that may result from the relationship between Crombie and ECL.

In terms of occupancy rates, while both the retail and office markets where Crombie has a prominent presence remain relatively stable, the business environment outlook has become decidedly pessimistic, influenced by the pronounced recession in the U.S. economy and the emerging recession in the Canadian economy. One offsetting factor to the economic slowdown is that many of Crombie's retail locations are anchored by food stores, which typically are less affected by swings in consumer spending.

## **DESCRIPTION OF CROMBIE**

### **Overview**

Crombie is an investment vehicle established pursuant to and governed by the Declaration of Trust. The principal business of Crombie is to invest in income-producing retail, office and mixed-use properties located in Canada. At December 31, 2008, Crombie owned a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.2 million square feet of GLA.

### **Business Strategy**

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unit value through active management; and

3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

Generate reliable and growing cash distributions: Management focuses on improving both the same-asset results while expanding the asset base with accretive acquisitions to grow the cash distributions to unitholders. As at December 31, 2008, after just under three years of operations, Crombie has been able to increase its distributions three times for a total increase of 11.25%. Crombie has achieved these distribution increases while achieving its annual adjusted funds from operations payout ratio targets.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value.

Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, will assess ongoing opportunities within the portfolio.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on accretive acquisitions of income-producing retail properties. Crombie pursues two sources of accretive acquisitions which are third party acquisitions and the relationship with ECL. All acquisitions completed to date have been purchased at costs which ensure they will be immediately accretive to cash available for distribution. The relationship with ECL includes currently owned and future development properties, as well as opportunities through the rights of first refusal that one of Empire's subsidiaries has negotiated in many of their leases. Crombie will seek to identify future property acquisitions using investment criteria that focus on the strength of anchor tenancies, market demographics, terms of tenancies, proportion of revenue from national tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning.

Crombie plans to work closely with ECL to identify development opportunities that further Crombie's external growth strategy. The relationship is governed by a development agreement described in "Material Contracts". Through this relationship, Crombie expects to have the benefits associated with development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions. The development agreement will also enable Crombie to avoid the uncertainties associated with property development, including paying the carrying costs of land, securing construction financing, obtaining development approvals, managing construction projects, marketing in advance of and during construction and earning no return during the construction period.

The development agreement provides Crombie with a preferential right to acquire retail properties developed by ECL, subject to approval by the independent trustees. The history of the relationship between Crombie and ECL continues to provide promising opportunities for growth through future development opportunities on both new and existing sites in Crombie's portfolio.

ECL currently owns approximately 1.4 million square feet in eighteen development properties that can be offered to Crombie on a preferential right through the development agreement when the properties are sufficiently developed to meet Crombie's acquisition criteria. The properties are primarily retail plazas and approximately 60% of the GLA of the eighteen properties is located outside of Atlantic Canada. These properties are anticipated to be made available to Crombie over the next one to four years.

## Competition

The real estate business in which Crombie operates is competitive. Numerous other developers, managers and owners of properties compete with Crombie in seeking tenants. Please refer to “Risks – Risk Factors Related to the Real Estate Industry – Competition”.

## Intellectual Property

Crombie has registered, or is in the process of registering, various trademarks that it uses in its operations. None of these trademarks are critical to Crombie’s operations.

## Employment

Crombie employed a total of 364 employees as at December 31, 2008. The employees are located in both the head office in Stellarton, Nova Scotia as well as various regional offices located in Ontario, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Québec and Nova Scotia.

## PROPERTIES HELD BY CROMBIE

### Overview

At December 31, 2008, Crombie owned a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.2 million square feet of GLA as set out in the following table:

<u>Property</u>	<u>Description</u>	<u>GLA</u> <u>(approx. sq. ft.)</u>	<u>Occupancy</u> <u>December 31, 2008</u>
<b>Nova Scotia</b>			
2 Forest Hills Parkway - Dartmouth .....	Freestanding Store	44,000	100.0%
25 Brookside Drive - Glace Bay .....	Freestanding Store	17,000	100.0%
39 Pitt Street - Sydney Mines .....	Freestanding Store	18,000	100.0%
75 Emerald Street - New Waterford .....	Freestanding Store	26,000	100.0%
95 Keltic Drive - Sydney River .....	Freestanding Store	51,000	100.0%
133 Church Street – Antigonish.....	Freestanding Store	51,000	100.0%
279 Herring Cove Road – Spryfield .....	Freestanding Store	64,000	100.0%
287 Lacewood Drive – Halifax.....	Freestanding Store	59,000	100.0%
293 Foord Street – Stellarton .....	Freestanding Store	24,000	100.0%
634 Reeves Street - Port Hawkesbury.....	Freestanding Store	34,000	100.0%
2651 Windsor Street – Halifax .....	Freestanding Store	50,000	100.0%
22579 Hwy #7 - Sheet Harbour .....	Freestanding Store	9,000	100.0%
Aberdeen Shopping Centre .....	Mixed - Use	392,000	95.1%
Amherst Centre .....	Retail - Enclosed	228,000	89.4%
Amherst Plaza .....	Retail - Strip	25,000	100.0%
Blink Bonnie Plaza – Pictou .....	Retail - Strip	45,000	100.0%
County Fair Mall.....	Retail - Enclosed	269,000	96.7%
Downsview Mall.....	Retail - Strip	142,000	83.3%
Downsview Plaza.....	Retail - Strip	256,000	99.1%
Elmsdale Plaza.....	Retail - Strip	137,000	100.0%
Evangeline Mall.....	Retail - Enclosed	61,000	40.2%
Fort Edward Mall .....	Retail - Enclosed	141,000	64.3%
Fundy Trail Centre – Truro.....	Retail - Strip	130,000	94.0%
Highland Square Mall .....	Retail - Enclosed	175,000	84.8%
Mill Cove Plaza – Bedford .....	Retail - Strip	137,000	100.0%
New Minas Plaza .....	Retail - Strip	52,000	91.0%
North Shore Centre – Tatamagouche.....	Retail - Strip	17,000	100.0%
Park Lane .....	Mixed - Use	264,000	91.5%
Prince Street Plaza .....	Retail - Strip	71,000	98.1%
Queen Street Plaza – Halifax .....	Retail - Strip	54,000	100.0%
Sydney Shopping Centre .....	Retail - Enclosed	250,000	90.7%
Tantallon Plaza .....	Retail - Strip	145,000	99.4%

<u>Property</u>	<u>Description</u>	<u>GLA (approx. sq. ft.)</u>	<u>Occupancy December 31, 2008</u>
West Side Plaza - New Glasgow .....	Retail - Strip	70,000	97.3%
<i>Halifax Developments Properties</i>			
Barrington Place .....	Mixed - Use	186,000	95.2%
Barrington Tower.....	Office	185,000	100.0%
Brunswick Place .....	Mixed -Use	257,000	99.7%
CIBC Building .....	Office	207,000	97.5%
Cogswell Tower.....	Office	203,000	94.3%
Duke Tower .....	Office	251,000	98.7%
Scotia Square Mall .....	Mixed - Use	265,000	99.6%
Scotia Square Parkade .....	Other - Parkade	<u>N/A</u>	<u>N/A</u>
		<b><u>5,062,000</u></b>	<b><u>94.4%</u></b>
<b>Ontario</b>			
34 Livingstone Avenue – Grimsby .....	Freestanding Store	35,000	100.0%
215 Park Avenue West – Chatham .....	Freestanding Store	48,000	100.0%
318 Ontario Street – St. Catherines.....	Freestanding Store	47,000	100.0%
409 Bayfield Street – Barrie .....	Freestanding Store	48,000	100.0%
977 Golf Links Road – Ancaster .....	Freestanding Store	65,000	100.0%
Brampton Plaza.....	Retail - Strip	70,000	100.0%
Burlington Plaza .....	Retail - Strip	56,000	93.2%
Carleton Place Mews .....	Retail - Strip	81,000	94.3%
Fort Erie - International Gateway Centre.....	Retail - Strip	93,000	97.9%
Niagara Plaza .....	Retail - Strip	60,000	98.7%
Perth Mews .....	Retail - Strip	103,000	93.2%
Port Colborne Mall .....	Retail - Enclosed	130,000	96.4%
Queensland Plaza.....	Retail - Strip	48,000	96.0%
Rose City Plaza.....	Retail - Strip	126,000	81.1%
Rymal Road Plaza.....	Retail - Strip	65,000	97.3%
South Pelham Market Plaza .....	Retail - Strip	63,000	98.1%
Taunton and Wilson Plaza .....	Retail - Strip	87,000	98.5%
Town Centre LaSalle .....	Retail - Strip	88,000	93.3%
Upper James Square.....	Retail - Strip	114,000	95.8%
Village Square Mall.....	Retail – Strip	69,000	100.0%
Woodstock .....	Retail – Strip	50,000	100.0%
White Horse Plaza – Simcoe.....	Retail - Strip	<u>94,000</u>	<u>100.0%</u>
		<b><u>1,640,000</u></b>	<b><u>96.1%</u></b>
<b>New Brunswick</b>			
26 Michaud Street – Edmundston.....	Freestanding Store	8,000	100.0%
273 Pleasant Street – Newcastle .....	Freestanding Store	20,000	100.0%
463 Brookside Dr. – Fredericton .....	Freestanding Store	43,000	100.0%
477 Paul Street - Champlain Place Dieppe ...	Freestanding Store	52,000	100.0%
501 Regis Street – Dieppe .....	Freestanding Store	25,000	100.0%
535 Coverdale Road – Riverview .....	Freestanding Store	49,000	100.0%
850 St. Peters Avenue – Bathurst .....	Freestanding Store	18,000	100.0%
1380 Mountain Road – Moncton .....	Freestanding Store	52,000	100.0%
Bridgeview Plaza – Miramichi .....	Retail - Strip	89,000	99.0%
Carleton Mall.....	Retail - Enclosed	113,000	95.7%
Charlotte Mall.....	Retail – Enclosed	114,000	96.1%
Edmundston .....	Retail - Strip	42,000	100.0%
Elmwood Plaza .....	Retail - Strip	31,000	81.5%
Fairvale Plaza – Rothesay.....	Retail - Strip	66,000	88.8%
Loch Lomond Place.....	Mixed - Use	191,000	98.0%
Prospect Street Plaza.....	Retail - Strip	21,000	100.0%
Riverview Mall.....	Mixed - Use	150,000	93.2%
Terminal Centres .....	Office	202,000	56.2%
Tracadie .....	Retail - Strip	40,000	84.9%
Uptown Centre.....	Retail - Enclosed	<u>321,000</u>	<u>100.0%</u>

<u>Property</u>	<u>Description</u>	<u>GLA (approx. sq. ft.)</u>	<u>Occupancy December 31, 2008</u>
		<u>1,647,000</u>	<u>92.0%</u>
<b>Newfoundland and Labrador</b>			
2A Commerce Street - Deer Lake.....	Freestanding Store	15,000	100.0%
10 Elizabeth Avenue - St. John's.....	Freestanding Store	66,000	100.0%
21 Cromer Avenue - Grand Falls.....	Freestanding Store	27,000	100.0%
45 Ropewalk Lane - St. John's.....	Freestanding Store	50,000	100.0%
69 Blockhouse Road – Placentia.....	Freestanding Store	20,000	100.0%
71 Grand View Blvd. - Grand Bank.....	Freestanding Store	19,000	100.0%
Avalon Mall.....	Retail - Enclosed	566,000	94.9%
Conception Bay Plaza.....	Retail - Strip	65,000	94.4%
Hamlyn Road Plaza.....	Retail - Strip	43,000	84.4%
Random Square.....	Retail - Enclosed	110,000	97.6%
Topsail Road Plaza - St. John's.....	Retail - Strip	158,000	100.0%
Torbay Road Plaza - St. John's.....	Retail - Strip	162,000	100.0%
Valley Mall.....	Retail - Enclosed	<u>164,000</u>	<u>81.6%</u>
		<u>1,465,000</u>	<u>95.1%</u>
<b>Prince Edward Island</b>			
201 Buchanan Drive - West Royalty.....	Freestanding Store	54,000	100.0%
531 North Main Street – Montague.....	Freestanding Store	25,000	100.0%
County Fair Mall.....	Retail - Enclosed	<u>306,000</u>	<u>96.1%</u>
		<u>385,000</u>	<u>96.9%</u>
<b>Quebec</b>			
88-90 Boul. D'Anjou – Chateauguay.....	Freestanding Store	57,000	100.0%
254 Hotel de Ville - Rivière de Loup.....	Freestanding Store	58,000	100.0%
645 Thibeau Street - Cap De La Madeleine..	Freestanding Store	48,000	100.0%
1060 Boul de la Rive-Sud - St. Romuald.....	Freestanding Store	61,000	100.0%
1500 Rue de Bretagne - Baie Comeau.....	Freestanding Store	44,000	100.0%
3950 Rue King Ouest – Sherbrooke.....	Freestanding Store	53,000	100.0%
5555 Boul Des Gradins – Charlesbourg.....	Freestanding Store	59,000	100.0%
8980 Boul. Lacroix - St. Georges de Beauce	Freestanding Store	44,000	100.0%
3260 Blvd. Lapinerie – Brossard-Longueuil.	Freestanding Store	39,000	100.0%
Beauport Plaza.....	Retail - Strip	61,000	100.0%
Greenfield Park Centre.....	Retail - Power Centre	164,000	95.5%
Les Saules.....	Retail - Strip	69,000	100.0%
Paspebiac Plaza.....	Retail - Strip	<u>64,000</u>	<u>93.2%</u>
		<u>821,000</u>	<u>99.5%</u>
<b>Saskatchewan</b>			
River City Centre – Saskatoon.....	Retail - Power Centre	<u>160,000</u>	<u>100.0%</u>
<b>Total</b>		<u>11,180,000</u>	<u>94.9%</u>

## **Nova Scotia Properties**

### **Aberdeen Shopping Centre**

610 East River Road, New Glasgow, Nova Scotia

Aberdeen Shopping Centre is a mixed-use property located in New Glasgow consisting of a food anchored community strip centre, with office space located on the second level, and several freestanding structures with a total GLA of approximately 392,000 square feet. The centre is situated on a 34.20-acre site and has open-air parking for 2,259 vehicles. The seven different physical structures that comprise Aberdeen Shopping Centre were built in stages from 1972 to 1994. Originally constructed as a mall, In 2001, the property was redeveloped into a strip centre with an upper-level office component on the interior. Aberdeen Shopping Centre is 95.1% leased and occupied by 32 tenants.

**Amherst Centre**

142 South Albion Street, Amherst, Nova Scotia

Amherst Centre is an enclosed community mall and two freestanding buildings located in Amherst with a total GLA of approximately 228,000 square feet. It is situated on a 25.40-acre site and has open-air parking for 1,494 vehicles. The building was built in 1981 and expanded in 1995, 1998 and 2001. Amherst Centre is 89.4% leased and occupied by 30 tenants, and is shadow anchored by a Canadian Tire store and gas bar.

**Amherst Plaza**

136 East Victoria Street, Amherst, Nova Scotia

Amherst Plaza is a retail strip centre located on the north side of East Victoria Street, in Amherst, with a total GLA of approximately 25,000 square feet. It is situated on a 1.8-acre site and has open-air parking for 120 vehicles. The building was built in the mid-1970s with a renovation to the food store in 2008. The building is 100.0% leased and occupied by 4 tenants.

**Blink Bonnie Plaza**

45 Weaver Road, Pictou, Nova Scotia

Blink Bonnie Plaza is a food store anchored retail strip centre located on the south side of Weaver Road, in Pictou, with a total GLA of approximately 45,000 square feet. It is situated on a 6.6-acre site and has open-air parking for 223 vehicles. The buildings were built in 1976, with a renovation and expansion in 2003, including one freestanding pad built in 1996. The buildings are 100% leased and occupied by six tenants.

**County Fair Mall**

9256 Commercial Street, New Minas, Nova Scotia

County Fair Mall is an enclosed community mall and one freestanding building located in the western sector of New Minas, with a total GLA of approximately 269,000 square feet. It is situated on a 26.32-acre site and has open-air parking for 1,265 vehicles. The building was built in 1974 and expanded in 1988, 1997, 2000 and 2005. There is approximately 6,000 square feet of excess density available for development at this property. County Fair Mall is 96.7% leased and occupied by 49 tenants, and shadow anchored by a Canadian Tire store.

**Downsview Mall**

800 Sackville Drive, Lower Sackville, Nova Scotia

Downsview Mall consists of a retail anchored community strip centre and four freestanding buildings located in Lower Sackville, with a total GLA of approximately 142,000 square feet. It is situated on a 13.95-acre site and has surface parking for 1,100 vehicles. The building was built in 1973 and expanded in 1986 and underwent an extensive renovation in 2004 to redevelop the property from an enclosed mall to a strip centre. There is approximately 2,400 square feet of excess density available for development at this property. Downsview Mall is 83.3% leased and occupied by 14 tenants, and is shadow anchored by a Canadian Tire store and the Downsview Plaza.

**Downsview Plaza**

720 and 752 Sackville Drive, Lower Sackville, Nova Scotia

Downsview Plaza consists of a retail food store anchored community strip centre and four freestanding buildings located in Lower Sackville, with a total GLA of approximately 256,000 square feet. It is situated on a 37.11-acre site and has open-air parking for 1,038 vehicles. The building was built in 1992

and expanded in 1995, 2003 and 2005. Downsview Plaza is 99.1% leased and has 25 tenants, and is shadow anchored by a Canadian Tire store and the Downsview Mall.

**Elmsdale Plaza**

Belnan Road, Elmsdale, Nova Scotia

Elmsdale Plaza is a food store anchored strip centre located on the north side of Highway 214, in Elmsdale, with a total GLA of approximately 137,000 square feet. It is situated on a 24.3-acre site and has open-air parking for 600 vehicles. The buildings were built in 1991 including two freestanding pads, with an expansion in 2003. The buildings are 100% leased and occupied by 20 tenants.

**Evangeline Mall**

87 Warwick Street, Digby, Nova Scotia

Evangeline Mall is an enclosed neighbourhood mall and one freestanding building which are located in Digby, with a total GLA of approximately 61,000 square feet. It is situated on a 7.51-acre site and has open-air parking for 371 vehicles. The property was built in 1973 and expanded in 1984 and 1995. There is approximately 15,000 square feet of excess density available for development at this property. Evangeline Mall is 40.2% leased and occupied by five tenants.

**Fort Edward Mall**

Wentworth Road, Windsor, Nova Scotia

Fort Edward Mall is a food store anchored enclosed community mall and two freestanding buildings located within the southwest sector of Windsor, with a total GLA of approximately 141,000 square feet. It is situated on a 28.2-acre site and has open-air parking for 611 vehicles. The building was built in 1972 and renovated in 1988, 1991, 1994 and 2000. Fort Edward Mall is 64.3% leased and occupied by nine tenants.

**Fundy Trail Centre**

68 Robie Street, Truro, Nova Scotia

Fundy Trail Centre is a food store anchored retail centre located on the south side of Robie Street, in Truro, with a total GLA of approximately 130,000 square feet. It is situated on a 13.9-acre site and has open-air parking for 727 vehicles. The building is primarily a strip centre built in 1971, with some enclosed area which was added in 1996. Canadian Tire and Shoppers Drug Mart are shadow anchors of this property. The building is 94.0% leased and occupied by 19 tenants.

**Highland Square Mall**

689 and 707 Westville Road, New Glasgow, Nova Scotia

Highland Square Mall is an enclosed community mall and one freestanding building located in New Glasgow, with a total GLA of approximately 175,000 square feet. It is situated on a 42.12-acre site and has open-air parking for 1,440 vehicles. The property was built in 1981, was expanded in 1987 and was redeveloped in 2007 and 2008. The freestanding building on the site was built in the 1950's and renovated in the 1970's. Highland Square Mall is 84.8% leased and occupied by 47 tenants, and is shadow anchored by Canadian Tire and a new Wal-Mart. As the property is currently in redevelopment, all but 5,250 square feet of the property will be subject to a head lease (See "Material Contracts — Head Leases"). A new Winners store is currently under construction and is expected to open in the spring of 2009. Future Shop is also constructing a stand-alone building with an opening expected in 2009.

**Mill Cove Plaza**

961 Bedford Highway, Bedford, Nova Scotia

Mill Cove Plaza is a retail strip centre located on the east side of Bedford Highway, in Bedford, with a total GLA of approximately 137,000 square feet. It is situated on a 16.5-acre site and has open-air parking for 660 vehicles. A two tenant building built in 1983 includes a Sobeys store, and a strip centre was built on the site in 1986. A theatre location previously on the site was demolished in 2008 and a new Lawtons location and CRU space was built. Sobeys has recently constructed a freestanding gas bar at the site pursuant to a land lease. The buildings are 100% leased and occupied by 12 tenants.

**New Minas Plaza**

8934 Commercial Street, New Minas, Nova Scotia

New Minas Plaza is a neighbourhood strip centre and a freestanding building including a movie theatre located in New Minas, with a total GLA of approximately 52,000 square feet. It is situated on a 4.40-acre site and has open-air parking for 224 vehicles. The centre was built in 1988 and renovated in 1998 and 2005. New Minas Plaza is 91.0% leased and occupied by nine tenants.

**North Shore Centre**

128 Main Street, Tatamagouche, Nova Scotia

North Shore Centre is a retail strip centre located on the west side of Main Street, in Tatamagouche, with a total GLA of approximately 17,000 square feet. It is situated on a 2.1-acre site with open-air parking for 121 vehicles. The building was built in 1986 and renovated in 2007. The building is 100% leased and occupied by two tenants.

**Park Lane**

5657 Spring Garden Road, Halifax, Nova Scotia

Park Lane is a mixed-use property consisting of enclosed retail mall, parking and office tower situated in the downtown core of Halifax, with a total GLA of approximately 264,000 square feet. The building was built in 1986 and renovated in 2001 and 2003. Park Lane is 91.5% leased and occupied by 67 tenants. A residential tower known as Martello, consisting of 108 residential units, was constructed above the existing Park Lane parkade structure. The Park Lane property including the residential tower has been registered as a condominium. The Park Lane property has been converted to a commercial condominium unit owed by Crombie and the residential tower has been converted into residential condominium units owned by the residents.

**Prince Street Plaza**

325 Prince Street, Sydney, Nova Scotia

Prince Street Plaza is a theatre anchored community strip centre and two freestanding buildings located on the north side of Prince Street in Sydney, with a total GLA of approximately 71,000 square feet. It is situated on a 7.40-acre site and has open-air parking for 310 vehicles. It was built in 1996 and expanded in 2000, 2002 and 2005. Prince Street Plaza is 98.1% leased and occupied by 12 tenants.

**Queen Street Plaza**

1092-1120 Queen Street, Halifax, Nova Scotia

Queen Street Plaza is a food store anchored retail strip centre and freestanding food store located on the west side of Queen Street, in Halifax, with a total GLA of approximately 54,000 square feet. It is situated on a 3.1-acre site and has open-air parking for 185 vehicles. The building was built in the early 1980's. The buildings are 100% leased and occupied by four tenants.

### **Sydney Shopping Centre**

272B Prince Street, Sydney, Nova Scotia

Sydney Shopping Centre is an enclosed community mall and a freestanding gas bar located on the south side of Prince Street, in Sydney, with a total GLA of approximately 250,000 square feet. It is situated on a 21.10-acre site and has open-air parking for 1,258 vehicles. A portion of the parking lot is leased on a long-term basis from Nova Scotia Power. The building was built in 1959 and was enclosed, renovated and expanded at various times thereafter. Sydney Shopping Centre is 90.7% leased and occupied by 31 tenants.

### **Tantallon Plaza**

4 Westwood Boulevard, Upper Tantallon, Nova Scotia

Tantallon Plaza is a food store anchored retail strip centre located on the west side of Westwood Boulevard, in Upper Tantallon, with a total GLA of approximately 145,000 square feet. It is situated on a 5.2-acre site and has open-air parking for 700 vehicles. The buildings were built in 1987 and 1998 with an expansion in 2004, including six freestanding pads. The buildings are 99.4% leased and occupied by 26 tenants.

### **West Side Plaza**

George Street, New Glasgow, Nova Scotia

West Side Plaza is a retail strip centre located on the north side of George Street, in New Glasgow, with a total GLA of approximately 70,000 square feet. It is situated on a 5.6-acre site and has open-air parking for 171 vehicles. The buildings were originally developed in 1961, with expansions and renovations in 1998 and 2005. The buildings are 97.3% leased and occupied by 19 tenants.

### **Halifax Developments properties**

The eight properties that comprise Halifax Developments properties are located in the central business district of Halifax. These properties are office and mixed-use properties and comprise a prominent portion of the Halifax downtown core. All of the Halifax Developments properties are connected by either an external above-ground pedway system or by interior access. The retail component of these properties is generally service oriented and includes shops, boutiques and food services which serve the downtown office community. The Halifax Developments properties are: Barrington Place, Barrington Tower, Brunswick Place, CIBC Building, Cogswell Tower, Duke Tower, Scotia Square Mall and Scotia Square Parkade.

### **Barrington Place**

1903 Barrington Street, Halifax, Nova Scotia

Barrington Place is a five-storey mixed-use property including hotel and retail space with a total GLA of approximately 186,000 square feet. The building was built in 1980 and renovated in 1998. Barrington Place is 95.2% leased and occupied by 29 tenants.

### **Barrington Tower**

1894 Barrington Street, Halifax, Nova Scotia

Barrington Tower is a 16-storey office tower located on the main pad of the Scotia Square Mall, with a total GLA of approximately 185,000 square feet. The building was built in 1972 and was extensively renovated in 1991. Barrington Tower is 100% leased and occupied by Nova Scotia Power and several smaller tenants under sublease.

**Brunswick Place**

2021 Brunswick Street, Halifax, Nova Scotia

Brunswick Place is a mixed-use property consisting of warehouse and office space, with a total GLA of approximately 257,000 square feet. The building was built in 1972 and renovated in 2005. Brunswick Place is 99.7% leased and occupied by nine tenants. Brunswick Place also includes a parkade structure with 210 semi-enclosed parking spaces.

**CIBC Building**

1809 Barrington Street, Halifax, Nova Scotia

The CIBC Building is a 16-storey office tower, with a total GLA of approximately 207,000 square feet. The building was built in 1977 and renovated in 2002. The CIBC Building is located on lands leased from Canadian Imperial Bank of Commerce on a long-term basis with the term expiring on December 31, 2047. The CIBC Building is 97.5% leased and occupied by 33 tenants.

**Cogswell Tower**

2000 Barrington Street, Halifax, Nova Scotia

Cogswell Tower is a 14-storey office tower located on the main pad of the Scotia Square Mall, with a total GLA of approximately 203,000 square feet. The building was built in 1974 and renovated in 2004. Cogswell Tower is 94.3% leased and occupied by 35 tenants.

**Duke Tower**

5251 Duke Street, Halifax, Nova Scotia

Duke Tower is a 14-storey office tower located on the main pad of the Scotia Square Mall, with a total GLA of approximately 251,000 square feet. The building was built in 1969 and renovated in 2003. Duke Tower is 98.7% leased and occupied by 30 tenants.

**Scotia Square Mall**

5201 Duke Street, Halifax, Nova Scotia

Scotia Square Mall is a mixed-use property consisting of enclosed retail and second floor office space, with a total GLA of approximately 265,000 square feet. The building was built in 1969 and renovated in 1986 and 1995. Scotia Square Mall is 99.6% leased and occupied by 55 tenants. A portion of the main pad has been leased to Delta Hotels as a ground lease on a long-term basis, upon which the Delta Halifax hotel is located.

**Scotia Square Parkade**

5201 Duke Street, Halifax, Nova Scotia

Scotia Square Parkade is a five-storey parking garage offering semi-enclosed spaces for approximately 1,760 vehicles. The building was built in 1969 and renovated in phases between 2000 and 2005. Scotia Square Parkade is attached to the Scotia Square Mall and Cogswell Tower. The parkade services Scotia Square Mall, Cogswell Tower, Halifax Metro Centre, World Trade Centre and other nearby offices and retail centres.

## **Ontario Properties**

### **Brampton Plaza**

981 Queen Street West, Brampton, Ontario

The Brampton Plaza is a food store anchored neighbourhood retail centre comprised of three freestanding buildings located in Brampton. The property is approximately 70,000 square feet and is situated on a 7.3-acre parcel of land with open-air parking for 385 vehicles. The site was built in 2004 and the completion of the TD Canada Trust pad occurred in the fourth quarter of 2007. A strip plaza consisting of three units measuring 6,000 square feet was completed in 2008. There is an additional density available of approximately 4,000 square feet. The property is 100% leased with three tenants.

### **Burlington Plaza**

3250 Fairview Street, Burlington, Ontario

The Burlington Plaza is a single level strip centre comprised of two buildings and a freestanding gas bar, totalling approximately 56,000 square feet of GLA and is located in Burlington. The property is situated on a 5.3-acre site with open-air parking for 255 vehicles. The site was built in 1975 and was renovated in 2000 and 2003. The property is 93.2% leased and occupied by 10 tenants.

### **Carleton Place Mews**

25, 42, 80 and 110 Lansdowne Avenue, Carleton Place, Ontario

Carleton Place Mews is a food store anchored neighbourhood strip centre comprised of four buildings located in Carleton Place with a GLA of approximately 81,000 square feet. Built in 1970, the building has 373 parking spaces and is 94.3% leased by 14 tenants.

### **International Gateway Centre**

450 Garrison Road, Fort Erie, Ontario

International Gateway Centre is a food store anchored strip centre located in Fort Erie with a GLA of approximately 93,000 square feet. Built in 2003, the centre has 675 parking spaces and two freestanding pads. The centre is 97.9% leased by 16 tenants. The property has additional density of 45,000 square feet.

### **Niagara Plaza**

3714 Portage Road, Niagara Falls, Ontario

Niagara Plaza is a food store anchored neighbourhood strip centre located at Portage Road and Thorold Stone Road in Niagara Falls, with a total GLA of approximately 60,000 square feet. It encompasses a 5.29-acre site and has open-air parking for 315 vehicles, with an additional 67 parking spaces available one level below grade. The building was built in 1997. The plaza is 98.7% leased and occupied by 15 tenants.

### **Perth Mews**

78-80 Dufferin Street, Perth, Ontario

Perth Mews is a food store anchored strip centre located in Perth with a GLA of approximately 103,000 square feet. Built in 1990, the centre has 647 parking spaces and is 93.2% leased and occupied by 15 tenants.

**Port Colborne Mall**

287 West Side Road, Port Colborne, Ontario

Port Colborne Mall is an enclosed community mall and a freestanding building and gas bar located in Port Colborne, with a total GLA of approximately 130,000 square feet. It is situated on a 10.24-acre site and has open-air parking for 665 vehicles. The property was built in 1979, renovated in 1989 and redeveloped in 2006 to accommodate a Hart Department Store. The buildings are 96.4% leased and occupied by eight tenants.

**Queensland Plaza**

30 Queensland Road, Stratford, Ontario

Queensland Plaza is a food store anchored neighbourhood strip centre located in the city of Stratford, with a total GLA of approximately 48,000 square feet. It is situated on a 3.93-acre site and has open-air parking for 181 vehicles. The building was built in 1989. Queensland Plaza is 96.0% leased and occupied by eight tenants.

**Rose City Plaza**

815 Ontario Road, Welland, Ontario

Rose City Plaza is a food store anchored neighbourhood strip centre and two freestanding buildings located in Welland, with a total GLA of 126,000 square feet. It is situated on a 9.66-acre site and has open-air parking for 542 vehicles. The building was built in 1965 and renovated in 1979, 1986 and 2001. The property is 81.1% leased and occupied by 16 tenants.

**Rymal Road Plaza**

905 Rymal Road East, Hamilton, Ontario

Rymal Road Plaza is a food store anchored neighbourhood strip centre located in Hamilton, with a total GLA of 65,000 square feet. It is situated on a 4.49-acre site and has open-air and underground parking for 295 vehicles. The building was built in 1999. Rymal Road Plaza is 97.3% leased and occupied by 10 tenants.

**South Pelham Market Plaza**

589-595 and 609 South Pelham Road, Welland, Ontario

South Pelham Market Plaza is a neighbourhood strip centre located in Welland and anchored by a freestanding grocery store and a freestanding drug store, with a total GLA of 63,000 square feet. It is situated on a 6.42-acre site and has open-air parking for 369 vehicles. The plaza was built in 2000 and the two other buildings were built in 1998. The plaza is 98.1% leased and occupied by 10 tenants.

**Taunton and Wilson Plaza**

1359-1389 Wilson Road North, Oshawa, Ontario

The Taunton and Wilson Plaza is a food store anchored neighbourhood strip centre and two freestanding buildings located in Oshawa. The property is approximately 87,000 square feet and is situated on a 12-acre parcel of land with open-air parking for 550 vehicles. The site was built in 2003 and expanded in June of 2007. The property is 98.5% leased with 14 tenants. There is additional density of 21,000 square feet available.

**Town Centre LaSalle**

5840 and 5844 Malden Road, LaSalle, Ontario

Town Centre Plaza is a food store anchored strip centre located in LaSalle with a GLA of approximately 88,000 square feet. Built in 2000, the property has 430 parking spaces and is 93.3% leased by 17 tenants.

**Upper James Square**

1508 Upper James Street, Hamilton, Ontario

Upper James Square is a retail anchored neighbourhood strip centre and four freestanding buildings located on the west side of Upper James Street and south of the Lincoln Alexander Parkway in Hamilton, with a total GLA of 114,000 square feet. It is situated on an 11.54-acre site and has open-air parking for 616 vehicles. There are five buildings on the site which were built between 1998 and 2000. The centre is 95.8% leased and occupied by 23 tenants.

**Village Square Mall**

1581 Greenbank Road, Nepean, Ontario

Village Square Mall is a food store anchored neighbourhood strip centre and two freestanding buildings located on the east side of Greenbank Road in Nepean, with a total GLA of 69,000 square feet. It is situated on a 5.98-acre site and has open-air parking for 350 vehicles. The centre was built in 2002. The buildings are 100.0% leased and occupied by 16 tenants, and is shadow anchored by a Canadian Tire store.

**Woodstock**

385 Springbank Avenue, Woodstock, Ontario

Woodstock is a retail strip centre located on Springbank Avenue in Woodstock with a total GLA of approximately 50,000 square feet. It is situated on a 3.9-acre site, built in 1990, with open-air parking for 269 vehicles. The building is 100% leased to 10 tenants.

**White Horse Plaza**

434-484 Norfolk Street South, Simcoe, Ontario

White Horse Plaza is a food store anchored retail strip centre located on Norfolk Street South in Simcoe with a total GLA of approximately 94,000 square feet. It is situated on a 7.4-acre site, built in 1960's, with open-air parking for 315 vehicles. It includes a freestanding gas bar. The building is 100% leased to 15 tenants.

**New Brunswick Properties**

**Bridgeview Plaza**

2458 King George Highway, Miramichi, New Brunswick

Bridgeview Plaza is a food store anchored retail strip centre located along the King George Highway in Miramichi with a total GLA of approximately 89,000 square feet. It is situated on 9.6 acres of land, built in 1994, including two freestanding pads and has open-air parking for 703 vehicles. The building is 99.0% leased and occupied by 15 tenants. A Canadian Tire store with an approximate GLA of 87,000 square feet is a shadow anchor of this property.

**Carleton Mall**

370 Connell Street, Woodstock, New Brunswick

Carleton Mall is an enclosed community mall and one freestanding building located on Connell Street in New Brunswick, with a total GLA of 113,000 square feet. It is situated on a 26.8-acre site and has open-air parking for 700 vehicles. The property was built in 1972 and renovated in 2001. There is potential for an additional 12,000 square feet of freestanding pad development at this site. Carleton Mall is 95.7% leased and occupied by 13 tenants and is shadow anchored by a Canadian Tire store.

**Charlotte Mall**

210 King Street, St. Stephen, New Brunswick

Charlotte Mall is an enclosed community mall and two freestanding buildings located at the intersection of Highway 1 and Highway 3 in the town of St. Stephen, with a total GLA of 114,000 square feet. It is situated on a 26.23-acre site and has open-air parking for 250 vehicles. The site has the potential for the development of a 3,000 square foot pad site. The property was built in 1972, expanded in 1978 and renovated in 1989 and 2005. Charlotte Mall is 96.1% leased and occupied by nine tenants and is shadow anchored by a Canadian Tire store.

**Edmundston**

580 Victoria Street, Edmundston, New Brunswick

Edmundston is a retail strip centre located on Victoria Street, in Edmundston, with a total GLA of approximately 42,000 square feet. It is situated on 4.2 acres of land, built in 1997, with open-air parking for 180 vehicles. The building is 100% leased and occupied by two tenants.

**Elmwood Plaza**

331 Elmwood Drive, Moncton, New Brunswick

Elmwood Plaza is a neighbourhood strip centre with second floor office space and medical centre located on the east side of Elmwood Drive in Moncton with a total GLA of 31,000 square feet. It is situated on a 1.98-acre site and has open-air parking for 125 vehicles. The building was built in 1980 and expanded in 1990 and 1992. Elmwood Plaza is 81.5% leased and occupied by nine tenants.

**Fairvale Plaza**

142 Hampton Road, Rothesay, New Brunswick

Fairvale Plaza is a food store anchored retail strip centre located on Hampton Road in Rothesay with a total GLA of approximately 66,000 square feet. It is situated on 7.1 acres of land, built in 1987, with open-air parking for 223 vehicles. The building is 88.8% leased and occupied by ten tenants.

**Loch Lomond Place**

120 McDonald Street, Saint John, New Brunswick

Loch Lomond Place is an enclosed mixed-use property located at the corner of Loch Lomond Road and McDonald Street in Saint John, with a total GLA of 191,000 square feet. It is situated on a 26.2-acre site and has open-air parking for 1,005 vehicles. The building was built in 1967, expanded in 1990 and redeveloped between 1998 and 2000. Loch Lomond Place is 98.0% leased and occupied by 17 tenants.

**Prospect Street Plaza**

1040 Prospect Street, Fredericton, New Brunswick

Prospect Street Plaza is a neighbourhood strip centre with a total GLA of 21,000 square feet, located on Prospect Street in Fredericton adjacent to the Fredericton Mall. It is situated on a 2.27-acre site with open-

air parking for 138 vehicles. The building was built in the early 1970's and was renovated and expanded in 2007 to increase its GLA to 21,000 square feet to accommodate the new Shoppers Drug Mart. The plaza is currently 100.0% leased and occupied by two tenants. The property is shadow anchored by Uptown Centre.

### **Riverview Mall**

720 Coverdale Road, Riverview, New Brunswick

Riverview Mall is a mixed-use property located in Riverview, a suburb of Moncton, with a total GLA of 150,000 square feet. It is situated on a 20.50-acre site and has open-air parking for 907 vehicles. The building was built in 1968 and expanded in 1974 and 1990. Riverview Mall is currently 93.2% leased and occupied by 21 tenants.

### **Terminal Centres**

1222 and 1234 Main Street, Moncton, New Brunswick

The Terminal Centres consists of three office buildings located on the western periphery of Moncton, with a total GLA of 202,000 square feet including: an eight-storey, 118,000 square foot Terminal Centre building, a seven-storey, 68,000 square foot Terminal Plaza building and a single level 16,000 square foot Via Rail station with some office space. The property has open-air parking for approximately 550 vehicles. The Terminal Centre and Terminal Plaza were constructed in 1961 and 1968, respectively, and both were renovated in 2004. The construction of the Via Rail station predates the other buildings and the station was renovated in 2003. The Terminal Centres are situated on a 26.3-acre parcel of land which is owned by Warren Gate Investments Inc. and of which 25.6-acres is leased by CDL pursuant to a long-term lease expiring on December 31, 2084. A portion of the ground lease of approximately 18.6-acres related to lands occupied by Highfield Square (a retail property scheduled for redevelopment) is subleased to ECL. Terminal Centres are 56.2% leased and is occupied by 18 tenants.

### **Tracadie**

426 Rue de Moulen, Tracadie, New Brunswick

Tracadie is a food store anchored retail strip centre located on Rue de Moulen, in Tracadie, and has a total GLA of approximately 40,000 square feet retail. It is situated on 4.4 acres of land, built in 1990, and has open-air parking for 170 vehicles. The building is 84.9% leased and is occupied by two tenants.

### **Uptown Centre**

1150 Prospect Street, Fredericton, New Brunswick

Uptown Centre is a retail strip plaza which includes four freestanding buildings located on Prospect Street in Fredericton with a total GLA of 321,000 square feet. It encompasses a 24.44-acre site and has open-air parking for 1,423 vehicles. The original building was built in 1969 and expanded and renovated on various occasions. The property underwent a major redevelopment from enclosed mall to its current form between 2005 and 2008. The property is 100.0% leased and occupied by 18 tenants. The property is shadow anchored by Prospect Street Plaza.

### **Newfoundland and Labrador Properties**

#### **Avalon Mall**

48 Kenmount Road, St. John's, Newfoundland and Labrador

Avalon Mall is an enclosed regional mall and four freestanding buildings located on Kenmount Road and Prince Phillip Drive in St. John's, with a total GLA of 566,000 square feet. It is situated on a 42.31-acre site and has open-air parking for 2,900 vehicles. The building was built in 1967 and expanded and/or

renovated in 1978, 1987, 1993, 1999, 2004 and 2007. Avalon Mall is currently 94.9% leased and occupied by 136 tenants.

### **Conception Bay Plaza**

350-356 Conception Bay Highway, Conception Bay, Newfoundland

Conception Bay Plaza is a food store anchored retail strip centre located on the Conception Bay Highway with a total GLA of approximately 65,000 square feet. It is situated on 5.6 acres of land, built in 1987 and expanded in 2008 including a freestanding Sobeys store, and has open-air parking for 225 vehicles. The building is 94.4% leased and occupied by six tenants.

### **Hamlyn Road Plaza**

Hamlyn Road, St. John's, Newfoundland and Labrador

Hamlyn Road Plaza is a neighbourhood strip centre comprised of three freestanding buildings located on Hamlyn Road in the west of St. John's, with a total GLA of 43,000 square feet. It is situated on a 4.46-acre site and has open-air parking for 202 vehicles. The plaza was built in 1990. Hamlyn Road Plaza is 84.4% leased and occupied by 13 tenants.

### **Random Square**

69 Manitoba Drive, Clarenville, Newfoundland and Labrador

Random Square is an enclosed community mall located on the north side of Manitoba Drive in Clarenville, with a GLA of 110,000 square feet. It is situated on a 13.60-acre site with open-air parking for 472 vehicles. The building was built in 1981 and renovated in 2003 and 2006, with a redevelopment in 2008. It is 97.6% leased and occupied by 21 tenants.

### **Topsail Road Plaza**

470 Topsail Road, St. John's, Newfoundland

Topsail Road Plaza is a food store anchored retail strip centre, including four standalone buildings, located on Topsail Road, in St. John's, with a total GLA of approximately 158,000 square feet. It is situated on 12.4 acres of land and has open-air parking for 348 vehicles. The buildings were built in stages from the early 1970's to the early 1990's. The property is 100.0% leased and occupied by 11 tenants. Zellers has an ongoing right of first refusal to purchase this centre. Ultramar gas station is also a ground lease tenant.

### **Torbay Road Plaza**

272 Torbay Road, St. John's, Newfoundland

Torbay Road Plaza is located on Torbay Road, in St. John's, with a total GLA of approximately 162,000 square feet. It is situated on 9.9 acres of land and has open-air parking for 670 vehicles. The centre was built in the early 1970's and a restaurant and gas station were built in the late 1980's. The property is 100.0% leased to 11 tenants.

### **Valley Mall**

One Mount Bernard Avenue, Corner Brook, Newfoundland and Labrador

Valley Mall is an enclosed community mall located at the intersection of Mount Bernard and Herald Avenue in the downtown core of Corner Brook, with a total GLA of 164,000 square feet. It is situated on an 8.50-acre site and it has open-air and parkade parking for 751 vehicles. The building was built in 1981 and renovated in 1991 including one freestanding building. Valley Mall is 81.6% leased and occupied by 23 tenants.

## **Prince Edward Island Properties**

### **County Fair Mall**

475 Granville Street North, Summerside, Prince Edward Island

County Fair Mall is an enclosed community mall and four additional freestanding buildings located on Granville Street in the north central area of Summerside, with a total GLA of 306,000 square feet. It is situated on three parcels of land totalling 31.68-acres and currently has open-air parking for 917 vehicles. The building was first opened in 1975 and expanded and renovated on numerous occasions, most recently in 2007. County Fair Mall is 96.1% leased and occupied by 32 tenants.

## **Québec Properties**

### **Beauport**

949-969 Ave. Nordique, Beauport, Québec

Beauport is a food store anchored retail strip centre with total GLA of approximately 61,000 square feet. It is situated on 8.4 acres of land, built in 1995 and has open-air parking for 380 vehicles. The building is 100% leased and occupied by six tenants.

### **Greenfield Park Centre**

300 Avenue Auguste, Longueuil, Québec

Greenfield Park Centre is a power centre consisting of seven buildings situated on the south side of Taschereau Boulevard in Longueuil with a total GLA of 164,000 square feet. It encompasses 27.72 acres and will have open-air parking for approximately 1,400 vehicles when fully developed. The developed portion of Greenfield Park Centre is 95.5% leased to eight tenants and is shadow-anchored by a Home Depot. The undeveloped portion of the property represents approximately 40,000 square feet of excess density. In addition, 21,000 square feet of GLA is subject to a head lease in favour of ECL and 94,625 square feet of raw land is subject to a ground lease in favour of ECL (See “Material Contracts – Head Leases” and “Material Contracts – Ground Lease”). Sobeys has been granted a right of first refusal in respect to the lands currently occupied as an IGA Extra food store.

### **Les Saules**

5005 Boulevard de L’Ormiere, Les Saules, Québec

Les Saules is a retail strip centre with a total GLA of approximately 69,000 square feet. It is situated on 6.8 acres of land which was redeveloped in 1996 and includes one freestanding pad and has open-air parking for 250 vehicles. The property is 100% leased and occupied by three tenants.

### **Paspebiac Plaza**

115 Boul. Gerard D. Levesque Ouest, Paspebiac, Québec

Paspebiac Plaza is a retail strip centre with total GLA of approximately 64,000 square feet. It is situated on 6.8 acres of land, built in 1987, including one freestanding pad with open-air parking for 350 vehicles. The property is 93.2% leased and occupied by 12 tenants.

## Saskatchewan Properties

### River City Center

Saskatoon, Saskatchewan

River City Center is a retail strip centre with total GLA of approximately 160,000 square feet. It is situated on 13.4 acres of land, built in 1995 with open-air parking for 770 vehicles. The property is 100.0% leased and occupied by 12 tenants.

### Freestanding Stores

<u>Location</u>	<u>Banner</u>	<u>Address</u>	<u>GLA (Sq. Ft.)</u>
<b><u>Ontario</u></b>			
Ancaster <sup>(1)</sup>	Sobeys	977 Golf Links Road	65,000
Barrie <sup>(2)</sup>	Sobeys	409 Bayfield Street	48,000
Chatham	Sobeys	215 Park Avenue West	48,000
Grimsby <sup>(3)</sup>	Sobeys	34 Livingstone Avenue	35,000
St. Catherines	Price Chopper	318 Ontario Street	47,000
<b><u>Quebec</u></b>			
Baie Comeau	IGA extra	1500 Rue de Bretagne	44,000
Brossard	IGA extra	3260 Blvd Lapiniere	39,000
Cap De La Madeleine <sup>(5)</sup>	IGA extra	645 Thibeau Street	48,000
Charlesbourg	IGA extra	5555 Boul Des Gradins	59,000
Chateauguay <sup>(6)</sup>	IGA extra	88-90 Boul. D'Anjou	57,000
Riviere Du Loup <sup>(4)</sup>	IGA extra	254 Hotel de Ville	58,000
Sherbrooke	IGA extra	3950 Rue King Ouest	53,000
St. Georges de Beauce	IGA extra	8980 Boul. Lacroix	44,000
St. Romuald <sup>(7)</sup>	IGA extra	1060 Boul. De la Rive-Sud	61,000
<b><u>New Brunswick</u></b>			
Bathurst	Sobeys	850 St. Peters Avenue	18,000
Champlain Place, Dieppe	Sobeys	477 Paul Street	52,000
Edmundston	Price Chopper	26 Michaud Street	8,000
Riverview	Sobeys	535 Coverdale Road	49,000
Fredericton	Sobeys	463 Brookside	43,000
Newcastle	Sobeys	273 Pleasant Street	20,000
Moncton <sup>(8)</sup>	Sobeys	1380 Mountain Road	52,000
Paul St., Dieppe	Sobeys	501 Regis Street	25,000
<b><u>Nova Scotia</u></b>			
Stellarton	Sobeys	293 Foord Street	24,000
Antigonish	Sobeys	133 Church Street	51,000
Dartmouth	Sobeys	2 Forest Hills Parkway	44,000
Glace Bay	Price Chopper	25 Brookside Street	17,000
New Waterford	Sobeys	75 Emerald Street	26,000
North & Windsor St., Halifax	Sobeys	2651 Windsor Street	50,000
Lacewood & Dunbrack, Halifax	Sobeys	287 Lacewood Drive	59,000
Sydney Mines	Price Chopper	39 Pitt Street	18,000
Port Hawkesbury	Sobeys	634 Reeves Street	34,000
Sheet Harbour	Foodland	22579 Highway #7	9,000
Spryfield <sup>(9)</sup>	Sobeys	279 Herringcove Road	64,000
Sydney River	Sobeys	95 Keltic Drive	51,000

<u>Location</u>	<u>Banner</u>	<u>Address</u>	<u>GLA (Sq. Ft.)</u>
<b><u>Prince Edward Island</u></b>			
Montague	Sobeys	531 North Main Street	25,000
West Royalty	Sobeys	201 Buchanan Drive	54,000
<b><u>Newfoundland</u></b>			
Deer Lake	Foodland	2A Commerce Street	15,000
Howley Estates, St. John's	Sobeys	10 Elizabeth Avenue	66,000
Grand Bank	Sobeys	71 Grand View Blvd.	19,000
Grand Falls	Sobeys	21 Cromer Avenue	27,000
Placentia	Sobeys	69 Blockhouse Road	20,000
Ropewalk Lane, St. John's	Sobeys	45 Ropewalk Lane	50,000

Notes:

- (1) Property has a freestanding pad occupied by a TD Bank.
- (2) The adjoining landowner has an option to purchase this property at fair market value in limited circumstances.
- (3) Subject to a ground lease expiring in 2010, which is renewable three times for 10 years and four times for 5 years. The REIT will sublease its interest to Sobeys.
- (4) Property has an additional retail unit occupied by a Family PRIX.
- (5) Property has an additional retail unit occupied by a SAQ.
- (6) Property has a freestanding pad occupied by a SAQ.
- (7) Property has a freestanding pad occupied by a Tim Hortons and a Royal Bank.
- (8) The adjoining land owner has a right of first offer to purchase this property as well as a separate right to purchase this property at fair market value if it is no longer being used as a supermarket. A waiver of the right of first offer has been obtained from the adjoining land owner with respect to this transaction only.
- (9) Property has two freestanding pads occupied by a Blockbuster Video and a Wilson's Gas Bar.

## **RISKS**

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

### **Risk Factors Related to the Real Estate Industry**

#### ***Real Property Ownership and Tenant Risks***

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. In addition, certain significant expenditures, including property taxes, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also help to mitigate this risk.

### ***Fixed Costs***

The failure to rent a material amount of unleased space on a timely basis or at all would likely have an adverse effect on Crombie's financial condition and results of operation and decrease the amount of cash available for distribution. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If Crombie is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space.

The timing and amount of capital expenditures by Crombie will affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when Crombie deems it necessary to make significant capital or other expenditures.

### ***Liquidity of Real Estate Investments***

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit Crombie's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Crombie were to be required to liquidate its real property investments, the proceeds Crombie might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on Crombie's financial condition and results of operation and decrease the amount of cash available for distribution.

### ***Competition***

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with Crombie in seeking tenants. Some of the properties located in the same markets as Crombie's properties are newer, better located, less levered or have stronger anchor tenants than Crombie's properties. Some property owners with properties located in the same markets as Crombie's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for Crombie's tenants could have a negative effect on Crombie's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on Crombie's financial condition and results of operation and decrease the amount of cash available for distribution. Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that Crombie may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments thereby increasing purchase prices and reducing the yield on them.

### **Risk Factors Related to the Business of Crombie**

#### ***Credit risk***

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. An allowance for doubtful accounts is taken for all anticipated problem accounts.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2008;

- Excluding Sobeys (which accounts for 33.0% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent, and
- Over the next five years, no more than 10.1% of the gross leaseable area of Crombie will expire in any one year.

Crombie earned rental revenue of \$51 million for the year ended December 31, 2008 (year ended December 31, 2007 - \$23.7 million) from subsidiaries of Empire.

### ***Reliance on Anchor Tenants***

Retail shopping centres have traditionally relied on there being a number of anchor tenants (grocery stores, and discount department stores) in the centre and are therefore subject to the risk of such anchor tenants either moving out of the property or going out of business. If any anchor tenant were to leave a property, the property could be negatively affected by such a loss which could have an adverse effect on Crombie's financial condition and results of operation and decrease the amount of cash available for distribution.

### ***Significant Relationship***

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 33.0% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants which are owned and/or operated by Sobeys.

### ***Economic Stability of Local Markets***

Some of Crombie's properties are located in regions where the economy is dominated by a small number of industries with only a few major participants. The economic stability and development of these local markets would be negatively affected if such major industry participants failed to maintain a significant presence in such markets. An economic downturn in these markets may adversely affect revenues derived by tenants of Crombie from their businesses and their ability to pay rent to Crombie in accordance with their leases. An enduring economic decline in a local market may affect the ability of Crombie to: (i) lease space in its properties, (ii) renew existing leases at current rates, and (iii) derive income from the properties located in such market, each of which could adversely impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution.

### ***Retail and Geographic Concentration***

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties is also heavily concentrated in Atlantic Canada. An economic downturn concentrated in the Atlantic Canada region could also adversely impact Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties for 2008 are as follows: 41 properties in Nova Scotia comprising 41.0%; 22 properties in Ontario comprising 16.8%; 20 properties in New Brunswick comprising 12.6%; 13 properties in Newfoundland and Labrador comprising 17.0%; three properties in Prince Edward Island comprising 3.2%; 13 properties in Quebec comprising 7.9%; and one property in Saskatchewan comprising 1.5%. Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk.

### ***Acquisitions***

Crombie's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Crombie is unable to manage its growth effectively, it could adversely impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that Crombie will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

### ***Access to Capital***

The real estate industry is highly capital intensive. Crombie will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurances that Crombie will have access to sufficient capital or access to capital on terms favourable to Crombie for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. In addition, Crombie may not be able to borrow funds under the Revolving Credit Facility due to the limitations on the incurrence of debt by Crombie set forth in the Revolving Credit Facility and the Declaration of Trust. Failure by Crombie to access required capital could adversely impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution.

### ***Liquidity risk***

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund the growth program and/or refinance the debt obligations as they mature.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant improvement costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing debt on terms and conditions acceptable to Crombie or at any terms at all. These risks have heightened during the fourth quarter of 2008 due to the turmoil in the financial markets. Crombie seeks to mitigate this risk by staggering the debt maturity dates. There is also a risk that the equity capital markets may not be receptive to an equity issue from Crombie with financial terms acceptable to Crombie.

Under the amended terms governing the Revolving Credit Facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the Revolving Credit Facility also require that Crombie must maintain certain covenants:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;

- access to the Revolving Credit Facility is limited by the amount utilized under the facility, and any negative mark-to-market position on the interest rate swap agreements, not to exceed the security provided by Crombie; and
- distributions to Unitholders are limited to 100% of Distributable Income as defined in the Revolving Credit Facility.

The Revolving Credit Facility also contains a covenant of Crombie that ECL must maintain a minimum 40% voting interest in Crombie. If ECL reduces its voting interest below this level, Crombie will be required to renegotiate the Revolving Credit Facility or obtain alternative financing. Pursuant to an exchange agreement and while such covenant remains in place, ECL will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%.

As at December 31, 2008, and throughout the 2008 fiscal year, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

As outlined above, access to the Revolving Credit Facility is limited such that the amount utilized under the facility, plus any negative mark-to-market position may not exceed the security provided by Crombie identified as the "Aggregate Coverage Amount" as defined in the Revolving Credit Facility. During the fourth quarter of 2008, the mark-to-market adjustment on the interest rate swap agreements reached an out-of-the-money position of approximately \$53 million at December 31, 2008. The deterioration in the mark-to-market position had the impact of reducing Crombie's available credit in the Revolving Credit Facility.

During the fourth quarter of 2008, Crombie secured the Empire Demand Facility to help ensure that Crombie maintains adequate liquidity in order to fund its daily operating activities while volatility in the financial markets continues while also mitigating the risk of Crombie not being in compliance with covenants under the Revolving Credit Facility.

Crombie has no mortgages maturing in fiscal 2009. During 2008, Crombie was able to extend its Revolving Credit Facility until June 30, 2011. In regard to the Term Facility that expires in October, 2009, Crombie has successfully refinanced \$100 million during the third quarter of 2008, along with \$39 million subsequent to December 31, 2008, and continues to have positive discussions with a number of lenders to refinance the remaining balance. While management can provide no assurances of refinancing, and while the current credit market remains very challenging, management remains confident it will refinance the remaining Term Facility prior to its maturity.

### ***Interest rate risk***

Interest rate risk is the potential for financial loss arising from potential increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, minimizing long-term exposure to floating rate debt and utilizing interest rate swap agreements. As at December 31, 2008:

- Crombie's average term to maturity of the fixed rate mortgages was 6.9 years, and
- Crombie's exposure to floating rate debt, including the impact of the fixed rate swap agreements discussed below, was 21.3% of the total commercial property debt. Excluding the floating rate term facility, which is to be replaced with permanent fixed rate financing during the next twelve months, the exposure to floating rate debt is 6.9%.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount. Recent turmoil in financial markets has materially affected interest swap rates. This effect was especially

pronounced during the fourth quarter of 2008. The interest swap rates are based on Canadian bond yields, plus a premium, called the swap spread, which reflects the risk of trading with a private counterparty as opposed to the Canadian government. During the fourth quarter of 2008, the swap spread turned negative. The effect of the negative swap spreads, combined with the decline in the Canadian bond yields to levels not seen since the late 1940's, has resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements during the final quarter of 2008. At December 31, 2008 the mark-to-market exposure on the interest rate swap agreements was approximately \$53 million. There is no immediate cash impact from this mark-to-market adjustment. The unfavourable difference in the mark-to-market amount of these interest rate swap agreements is reflected in other comprehensive income (loss) rather than net income as the swaps are all designated and effective hedges.

The breakdown of the swaps in place as part of the interest rate management program, and their associated unfavourable differences are as follows:

- Crombie has entered into a fixed interest rate swap to fix the amount of interest to be paid on \$50 million of the Revolving Credit Facility. In addition, Crombie has entered into a fixed interest rate swap agreement of a notional amount of \$50 million to fix a portion of the interest on the floating rate Term Facility. The fair value of the fixed interest rate swaps at December 31, 2008, had an unfavourable mark-to-market exposure of \$4 million (December 31, 2007 – unfavourable \$0.2 million) compared to its face value. The change in this amount has been recognized in other comprehensive income (loss). The mark-to-market amount of fixed interest rate swaps reduce to \$Nil upon maturity of the swaps.
- Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$100.3 million with an effective date between February 1, 2010 and July 2, 2011, maturing between February 1, 2019 and July 2, 2021 to mitigate exposure to interest rate increases for mortgages maturing in 2010 and 2011. The fair value of these delayed interest rate swap agreements had an unfavourable mark-to-market exposure of \$20.9 million compared to the face value on December 31, 2008 (December 31, 2007 – unfavourable \$5.6 million). The change in these amounts has been recognized in other comprehensive income (loss).
- In relation to the acquisition of a portfolio of 61 retail properties from subsidiaries of Empire, Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$180 million to mitigate exposure to interest rate increases prior to replacing the 18 month floating rate Term Facility with long-term financing. The fair value of these agreements had an unfavourable mark-to-market exposure of \$28.1 million compared to their face value on December 31, 2008 (December 31, 2007 – \$Nil). The change in these amounts has been recognized in other comprehensive income (loss).

During the year ended December 31, 2008, Crombie settled three interest rate swap agreements related to a notional amount of \$18.4 million that had an unfavourable mark-to-market exposure of \$3.7 million. This amount has been recognized in other comprehensive income (loss) since the inception of the interest rate swap agreements. This loss will be reclassified to interest expense using the effective interest rate method which amortizes the loss over the term of the replacement long-term debt.

Crombie does not enter into these interest rate swap transactions on a speculative basis. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

### ***Environmental Matters***

As an owner of interests in real property in Canada, Crombie is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that Crombie could

be, or become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further liability may be incurred by Crombie with respect to the release of such substances from Crombie's properties to properties owned by third parties, including properties adjacent to Crombie's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

Crombie's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments provide Crombie with some level of assurance about the condition of property, Crombie may become subject to liability for undetected contamination or other environmental conditions as its properties against which it cannot insure, or against which Crombie may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could negatively impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution.

Crombie is not aware of any material non-compliance with environmental laws at any of its properties, that are not being addressed in accordance with the recommendations of independent engineers, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties that would materially affect Crombie. Crombie has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability. Crombie will make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on Crombie's business, financial condition or results of operation and decrease the amount of cash available for distribution. Although there can be no assurances, Crombie does not believe that such costs relating to environmental matters will have a material adverse effect on Crombie's business, financial condition or results of operation. However, environmental laws can change and Crombie or its subsidiaries may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on Crombie's business, financial condition and results of operation and distributions.

### ***Potential Conflicts of Interest***

The trustees will, from time to time, in their individual capacities, deal with parties with whom Crombie may be dealing, or may be seeking investments similar to those desired by Crombie. The interests of these persons could conflict with those of Crombie. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of independent trustees only.

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts

of interest will be dealt with including a non-competition agreement, management cost sharing agreement and development agreement as described under “Material Contracts”. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, “conflict of interest” guidelines, as well as outlining which matters require the approval of a majority of the independent trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

### ***General Insured and Uninsured Risks***

Crombie carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance under a blanket policy available to affiliates of Empire with customary policy specifications, limits and deductibles. Crombie has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. There are, however, certain types of risks, generally of a catastrophic nature, such as war or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, Crombie could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties which would likely adversely impact Crombie’s financial condition and results of operation and decrease the amount of cash available for distribution. If Crombie is no longer able to participate in Empire’s blanket policy it will be required to obtain a replacement policy, and the terms and premiums of such policy may be less favourable to Crombie.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and borrowers may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact Crombie’s financial condition and results of operation and decrease the amount of cash available for distribution.

### ***Land Leases***

To the extent the properties in which Crombie has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which would likely adversely impact Crombie’s financial condition and results of operation and decrease the amount of cash available for distribution.

### ***Specific Lease Considerations***

Crombie’s properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, Crombie will bear the economic costs of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants which increases would likely adversely impact Crombie’s financial condition and results of operations and decrease the amount of cash available for distribution.

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

The management of Crombie depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Crombie and adversely impact Crombie’s financial condition. Crombie does not have key-man insurance on any of its key employees.

### ***Reliance on ECL and Other Empire Affiliates***

Crombie's ability to acquire new properties is dependent upon ECL and the successful operation of the development agreement as described in "Material Contracts". In addition, a significant portion of Crombie's rental income is received from tenants that are affiliates of Empire. There is no certainty that ECL will be able to perform its obligations to Crombie in connection with these agreements. ECL has not provided any security to guarantee these obligations. If ECL, Empire or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

### ***Prior Commercial Operations***

Crombie LP acquired from ECL all of the outstanding shares of CDL. CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to an acquisition agreement as described under "Material Contracts – Acquisition Agreement" (the "Acquisition Agreement"), ECL made certain representations and warranties to Crombie with respect to CDL, including with respect to the structure of its share capital and the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Acquisition Agreement which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Crombie LP acquired from ECL directly and indirectly 61 properties as discussed in "General Development of Crombie". Pursuant to the Portfolio Acquisition, ECL made certain representations and warranties to Crombie with respect to the properties, including with respect to the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Portfolio Acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

### ***Limit on Activities***

In order to maintain its status as a "mutual fund trust" under the Tax Act, Crombie cannot carry on most active business activities and is limited in the types of investments it may make. The Declaration of Trust contains restrictions to this effect.

### ***Occupancy by Tenants***

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of lease premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of penalty. There can be no assurance that tenants will continue their activities and continue to occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on Crombie and could adversely impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution.

### ***Lease Renewals and Rental Increases***

Expiries of leases for Crombie's properties including those of significant tenants will occur from time to time over the short and long-term. No assurance can be provided that Crombie will be able to renew any or all of the leases upon their expiration or that rental increases will occur or be achieved upon such renewals. The failure to renew leases or achieve rental rate increases may adversely impact Crombie's financial condition and results of operations and decrease the amount of cash available for distribution.

### **Risk Factors Related to the Units**

#### ***Cash Distributions Are Not Guaranteed***

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of such items as principal repayments, tenants' allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to continue its distribution levels in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

#### ***Structural Subordination of the Units***

In the event of a bankruptcy, liquidation or reorganization of Crombie LP or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claim from the assets of Crombie LP and those subsidiaries before any assets are made available for distribution to Crombie or its Unitholders. The Units are effectively subordinated to the debt and other obligations of Crombie LP and its subsidiaries. Crombie LP and its subsidiaries generate all of Crombie's revenue available for distribution and hold substantially all of Crombie's operating assets.

#### ***Restrictions on Redemptions***

It is anticipated that the redemption right described under "Description of Units and Declaration of Trust – Redemption Right" will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

#### ***Potential Volatility of Unit Prices***

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units

may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Crombie.

### ***Nature of Investment***

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

### ***Tax-Related Risk Factors***

The extent to which distributions will be tax deferred in the future will depend on the extent that Crombie LP can claim capital cost allowance and other available deductions. Crombie intends to distribute an amount no less than the net income and net realized capital gains each year to Unitholders or otherwise in order to eliminate Crombie’s liability for tax under Part 1 of the *Income Tax Act* (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains would need to be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of such Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

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

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby tax cost of these properties is less than their fair market value. Accordingly, if one or more of such properties are disposed of the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values.

The cost amount for taxation purposes of various properties of CDL will be lower than their fair market value, generally resulting in correspondingly lower deductions for taxation purposes and higher recapture of depreciation or capital gains on their disposition. In addition, CDL (unlike Crombie) may not reduce its taxable income through distributing its cash available for distribution. If CDL should become subject to corporate income tax, the cash available to be distributed to Unitholders would likely be reduced.

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the “Act”) was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities (“SIFTs”), to corporate tax rates, beginning in 2011, subject to an exemption for REITs. The exemption for REITs was provided to “recognize the unique history and role of collective real estate investment vehicles,” which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

While REITs were exempted from the SIFT taxation, the Act proposed a number of technical tests to determine which entities would qualify as a REIT. These technical tests did not fully accommodate the business structures used by many Canadian REITs.

Crombie and their advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that, at January 1, 2008 and throughout the 2008 fiscal year, it meets the REIT technical tests contained in the Act. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

While Crombie believes that the SIFT regime does not apply to the REIT after 2007, no assurances can be made in this regard. If the REIT does not qualify as a real estate investment trust continuously thereafter, the SIFT regime and growth guidelines may have an adverse effect on the REIT and the holders of Units, on the value of the Units and the ability of the REIT to undertake financing and acquisitions. In addition, if the SIFT regime were to apply, cash available for distribution may be materially reduced.

Notwithstanding that Crombie may meet the criteria for a REIT under the Act and thus be exempt from the distribution tax, there can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse impact on Crombie or its unitholders.

#### ***Availability of Cash Flow***

Cash available to Crombie may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Crombie anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

#### ***Dilution***

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

#### ***Indirect Ownership of Units by Empire***

ECL indirectly holds a 47.9% economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one Unit of Crombie and is attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held directly and indirectly by it. Thus, Empire, through ECL, is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

#### **Risk Factors Related to the Ownership of Debentures**

##### ***Market Price***

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Crombie's financial condition, historic financial performance and future prospects.

### ***Credit Risk And Prior Ranking Indebtedness: Absence Of Covenant Protection***

The likelihood that Debentureholders will receive payments owing to them under the terms of the Debentures will depend on the financial health of Crombie and its creditworthiness. In addition, the Debentures are unsecured obligations of Crombie and are subordinate in right of payment to all Crombie's existing and future senior indebtedness. Therefore, if Crombie becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Crombie's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of Crombie's subsidiaries except to the extent Crombie is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The indenture does not prohibit or limit the ability of Crombie or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect Debentureholders in the event of a future leveraged transaction involving Crombie.

### ***Conversion Following Certain Transactions***

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a Unitholder 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 Crombie was acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Crombie's future prospects and other factors.

## **DESCRIPTION OF CAPITAL STRUCTURE AND DECLARATION OF TRUST**

### **General**

Crombie is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust. Although Crombie qualifies as a "mutual fund trust" as defined in the *Income Tax Act* (Canada), Crombie is not a "mutual fund" as defined by applicable securities legislation.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in Crombie and Unitholders do not have statutory rights of shareholders of a corporation incorporated under either the *Business Corporations Act* (Ontario) ("OBCA") or the *Canada Business Corporations Act* ("CBCA") including, for example, the right to bring "oppression" or "derivative" actions. Furthermore, Crombie is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Crombie is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the trustees without the approval of the Unitholders.

### **Units**

Units do not have preference or priority over one another. No Unitholder has or is deemed to have any right of ownership of any of the assets of Crombie. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in Crombie and confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by Crombie, whether of net income, net realized capital gains or other amounts and, in the event of termination of Crombie, in the net assets of

Crombie remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued (unless issued on an instalment receipt basis) and are transferable.

### **Special Voting Units**

Special Voting Units have no economic entitlement in Crombie, but entitle the holder to one vote per Special Voting Unit at any meeting of the Unitholders of Crombie. Special Voting Units may only be issued in connection with or in relation to Class B LP Units for the purpose of providing voting rights with respect to Crombie to the holders of such securities. Special Voting Units are issued in conjunction with the Class B LP Units to which they relate, and are evidenced only by the certificates representing such Class B LP Units.

Special Voting Units are not transferable separately from the Class B LP Units to which they are attached and are automatically transferred upon the transfer of such Class B LP Unit. Each Special Voting Unit entitle the holder thereof to that number of votes at any meeting of Unitholders that is equal to the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached. Upon the exchange or surrender of a Class B LP Unit for a Unit, the Special Voting Unit attached to such Class B LP Unit is automatically redeemed and cancelled for no consideration without any further action of the trustees, and the former holder of such Special Voting Unit ceases to have any rights with respect thereto.

### **Redemption Right**

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

### **Purchases of Units by Crombie**

Crombie may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

### **Take-Over Bids**

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

### **Issuance of Units**

Subject to the approval rights of ECL set out in the Exchange Agreement, Crombie may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the trustees shall determine. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders, except that for so long as ECL continues to hold directly or indirectly, at least 10% of the Special Voting Units, ECL will have the pre-emptive right to purchase additional Units issued by Crombie to maintain its *pro rata* voting interest in Crombie.

If the trustees determine that Crombie does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been

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

Crombie may also issue new Units as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the trustees, or pursuant to any incentive or option plan established by Crombie from time to time.

### **Book-Based System**

The Units are represented in the form of one or more fully registered global unit certificates held by, or on behalf of, CDS as depository of such global unit certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of the Units are effected only through the book-based system administered by CDS.

### **Transfer and Exchange of Units**

Transfers of beneficial ownership of Units represented by global unit certificates are effected through records maintained by CDS 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 Crombie elects, in its sole discretion, to prepare and deliver definitive certificates representing the Units, beneficial owners who are not participants in the book-entry system administered by CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in global unit certificates, may do so only through participants in the book-entry system administered by CDS.

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

Registered holders of definitive certificates representing Units may transfer such Units upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Unit certificates to the registrar for the Units at its principal office in the City of Toronto, Ontario or such other city or cities as may from time to time be designated by Crombie, whereupon new Unit certificates are issued in authorized denominations in the same aggregate principal amount as the Unit certificates so transferred, registered in the name of the transferees. Any request to transfer or exchange Units may not be honoured by Crombie and the transfer agent for the Units if such transfer or exchange is in contravention of United States federal and state securities laws or would require Crombie to register as an investment Trust under the *United States Investment Trust Act of 1940*.

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

In order for Crombie to maintain its status as a "mutual fund trust" under the *Income Tax Act* (Canada), Crombie must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the *Income Tax Act* (Canada). Accordingly, at no time may non-residents of Canada (within the meaning of the *Income Tax Act* (Canada)) be the beneficial owners of more than 49% of the Units and the trustees will inform the transfer agent and registrar of this restriction. The trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise,

that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the trustees may make a public announcement thereof and will not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the trustees determine that more than 49% of the Units are held by non-residents, the trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the trustees with satisfactory evidence that they are not non-residents within such period, the trustees may, on behalf of such Unitholders sell such Units and, in the interim, must suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be holders of Units and their rights are limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the trustees which is unpaid and owing to such Unitholders. The trustees will have no liability for the amount received provided that they act in good faith. Class B LP Units, which are economically equivalent to Units, are not permitted to be transferred to non-resident entities.

### **Convertible Debentures**

On March 20, 2008, Crombie issued \$30 million in unsecured convertible debentures related to the properties acquired on April 22, 2008 (see "General Development of Crombie"). Each convertible debenture will be convertible into units of Crombie at the option of the debenture holder up to the maturity date of March 20, 2013 at a conversion price of \$13 per unit. The convertible debentures bear interest at an annual fixed rate of 7%, payable semi-annually on June 30, and December 31 in each year commencing on June 30, 2008. The convertible debentures are not redeemable prior to March 20, 2011. From March 20, 2011 to March 20, 2012, the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date one which notice on redemption is given exceeds 125% of the conversion price. After March 20, 2012, and prior to March 20, 2013, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the convertible debentures at maturity or upon redemption, in whole or in part, by issuing the number of units equal to the principal amount of the convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest. Crombie will also have an option to pay interest on any interest payment date by selling units and applying the proceeds to satisfy its interest obligation.

### **ECL Approval Rights**

The Declaration of Trust provides that none of Crombie or its subsidiaries may take the following actions without the approval of ECL so long as ECL or its affiliates hold or control at least 20% of the Special Voting Units:

- (a) issue any securities that, in the aggregate, would result in the dilution of ECL's voting interest to a level less than that required to be maintained pursuant to any agreements to which Crombie is a party;

- (b) for a period of five years commencing on March 23, 2006, take any action that would result in ECL controlling, directly or indirectly, 50% or more of the Units that would be outstanding immediately following such action.

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

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

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

- (a) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;
- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;
- (c) the constraint of the issue, transfer or ownership of the Units or Special Voting Units or the change or removal of such constraint;
- (d) the sale or transfer of the assets of any of Crombie or its Subsidiaries as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of any of Crombie or its Subsidiaries approved by the trustees);
- (e) the termination of any of Crombie or its subsidiaries;
- (f) the combination, amalgamation or arrangement of any of Crombie or its subsidiaries with any other entity; and
- (g) except as described herein, the amendment of the Investment Guidelines and Operating Policies of Crombie.

Upon the recommendation of the Independent Trustees of Crombie, the trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the trustees or Crombie; (ii) the status of Crombie as a “mutual fund trust” or “registered investment” under the *Income Tax Act* (Canada); or (iii) the distribution of Units;
- (b) which, in the opinion of the trustees, provide additional protection for the Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this AIF and the Declaration of Trust;

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

International Financial Reporting Standards ("IFRS"), must be applied to the financial statements of Crombie beginning January 1, 2011, with comparative figures reported from January 1, 2010. At the 2009 Annual General and Special Meeting of Unitholders, Unitholders will be asked to consider and, if deemed advisable, approve a resolution authorizing amendments to the Declaration of Trust to provide the Trustees in limited circumstances with the power to amend the Declaration of Trust where such amendment is required for compliance with IFRS, and/or so as to ensure the Units are regarded as "equity" and not a "liability" for purposes of financial reporting under IFRS.

### **DISTRIBUTION POLICY**

The following outlines the distribution policy of Crombie as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of 66  $\frac{2}{3}$  % of the votes cast at a meeting of Unitholders called for such purpose. At the 2008 annual general meeting, Unitholders approved amendments to the Declaration of Trust to eliminate the term "Distributable Income" and the use of such term in the determination of cash distributions to Unitholders.

Subject to compliance with such distribution policy, determinations as to the amounts actually distributable are made in the sole discretion of the trustees.

#### **Distribution Policy**

Pursuant to the Declaration of Trust, cash distributions are to be determined by the Trustees in their discretion. Crombie intends to make distributions to Unitholders at least equal to the amount of net income, net realized capital gains and net recapture income of Crombie as is necessary to ensure that Crombie will not be liable for ordinary income taxes on such income. Any increase or reductions in the percentage of income to be distributed to Unitholders will result in a corresponding increase or decrease in distributions on Class B LP Units.

Distributions are made to Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual distribution for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of Crombie, where Crombie's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units.

Crombie LP is the primary source of cash flow to fund distributions to Unitholders. The Crombie LP Agreement requires Crombie LP to make monthly cash distributions to CS Trust and to holders of Class B LP Units equal to the distribution payout ratio set by Crombie from time to time. Crombie LP retains the discretion to make unequal distributions to account for expenses incurred or income earned by CS Trust and Crombie so that distributions to be made to Class B LP Units are economically equivalent, to the greatest extent possible, to the distributions that the holder of Class B LP Units would have received if they were holding Units instead of Class B LP Units.

### Distributions

Crombie paid a cash distribution of \$0.08602 per Unit for the period of March 23, 2006 up to and including April 30, 2006. Crombie paid a cash distribution of \$0.0667 per Unit for each of the months of May 2006 through December 2006. The monthly distributions paid by Crombie during fiscals 2007 and 2008 are as follows:

	<b>2007</b>	<b>2008</b>
Month	\$/unit	\$/unit
January	\$0.06670	\$0.07083
February	\$0.06670	\$0.07083
March	\$0.06917	\$0.07083
April	\$0.06917	\$0.07083
May	\$0.07083	\$0.07417
June	\$0.07083	\$0.07417
July	\$0.07083	\$0.07417
August	\$0.07083	\$0.07417
September	\$0.07083	\$0.07417
October	\$0.07083	\$0.07417
November	\$0.07083	\$0.07417
December	\$0.07083	\$0.07417
<b>TOTAL:</b>	<b>\$0.83838</b>	<b>\$0.87668</b>

### MARKET FOR UNITS

The Units are listed on the Toronto Stock Exchange under the trading symbol “CRR.UN”. The monthly closing high and low trading price and the monthly average volume for the Units for the fiscal year ended December 31, 2008 are as follows:

Month	High (\$ per Unit)	Low (\$ per Unit)	Average Daily Volume by Month (in Units)
January 2008	\$11.01	\$10.25	28,703
February 2008	\$11.45	\$10.99	29,926
March 2008	\$11.30	\$10.75	30,809
April 2008	\$11.10	\$10.95	35,699
May 2008	\$11.20	\$10.90	80,837
June 2008	\$12.40	\$11.35	33,884
July 2008	\$12.10	\$10.73	18,341
August 2008	\$11.60	\$11.10	9,758
September 2008	\$11.49	\$10.02	19,044
October 2008	\$10.25	\$7.95	31,907
November 2008	\$8.84	\$6.25	33,910
December 2008	\$8.29	\$6.72	50,062

## INVESTMENT GUIDELINES AND OPERATING POLICIES OF CROMBIE

### Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by Crombie. The assets of Crombie may be invested only in accordance with the following restrictions:

- (a) Crombie may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing commercial real estate located primarily in Canada and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of Crombie;
- (b) notwithstanding anything else contained in the Declaration of Trust, Crombie shall not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) or that would result in the Units not being qualified investments for Plans;
- (c) Crombie shall not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost to Crombie of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 15% of gross book value of Crombie (as defined in the Declaration of Trust) at the time the investment is made;
- (d) Crombie may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by Crombie; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of Crombie’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to Crombie, provisions to limit the liability of Crombie and its Unitholders to third parties, and provisions to provide for the participation of Crombie in the management of the joint venture arrangement. For purposes hereof, a joint venture arrangement is an arrangement between Crombie and one or more other persons pursuant to which Crombie, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of Crombie and in respect of which Crombie may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of Crombie, Crombie may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, Crombie may acquire securities of other REITs;
- (f) Crombie shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) Crombie shall not invest, directly or indirectly,
  - (i) in operating businesses unless such investment is an indirect investment and is incidental to a transaction:

- (A) where revenue will be derived, directly or indirectly, principally from real property; or
  - (B) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by the trustees); or
- (ii) in predominantly special purpose properties, such as hotels, nursing homes or resort properties;
- (h) Crombie shall not invest in raw land for development, except for existing properties with additional development or properties adjacent to existing properties of Crombie for the purpose of (i) the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of Crombie, provided that the aggregate value of the investments of Crombie in raw land, after giving effect to the proposed investment, will not exceed 5% of the gross book value;
  - (i) Crombie may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
    - (i) the real property which is security therefore is income-producing real property which otherwise meets the other investment guidelines of Crombie;
    - (ii) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has a debt service coverage ratio of at least 1.2:1;
    - (iii) the mortgage is a first ranking mortgage registered on title to the real property which is security therefore; and
    - (iv) the aggregate book value of the investments of Crombie in mortgages, after giving effect to the proposed investment, will not exceed 15% of gross book value;
  - (j) notwithstanding paragraph (i), Crombie may invest in any mortgage which is not a first ranking mortgage for purposes of providing, directly or indirectly, financing in connection with a transaction in which Crombie is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties; provided that the aggregate value of the investments of Crombie in mortgages, after giving effect to the proposed investment, will not exceed 15% of gross book value; and
  - (k) Crombie may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of the gross book value of Crombie in investments which do not comply with one or more of paragraphs (a), (d), (e), (i) and (j).

## Operating Policies

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

- (a) Crombie shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term “hedging” has the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (b)
  - (i) any written instrument creating an obligation which is or includes the granting by Crombie of a mortgage; and
  - (ii) to the extent the trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the trustees, a material obligation,

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

- (c) Crombie shall not lease or sublease to any person (other than Sobeys) any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 15% of gross book value;
- (d) the limitation contained in paragraph (c) will not apply to the renewal of a lease or sublease and will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by: (i) the Government of Canada, any province or territory of Canada, any municipality or city in Canada or any agency or crown corporation thereof; (ii) any entity, of which any of the bonds, debentures or other evidences of indebtedness of, or guaranteed by, such entity, or any of the other securities of such entity, have received and continue to hold, an investment grade rating from a recognized credit rating agency, in each case at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by the trustees) were entered into; or (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;
- (e) except as otherwise permitted under paragraph (h) under the heading “Investment Guidelines”, Crombie shall not engage in construction or development of real property except as necessary to maintain its real properties in good repair or to improve the income-producing potential of properties in which Crombie has an interest;
- (f) title to each real property shall be held by and registered in the name of Crombie, the trustees or a corporation or other entity wholly-owned, directly or indirectly, by Crombie or jointly-owned, directly or indirectly, by Crombie, with joint venturers;
- (g) Crombie shall not incur or assume any indebtedness (other than by the assumption of existing indebtedness) or renew or refinance any indebtedness under a mortgage on any of the real property of Crombie where (i) in the case of an individual property, the total amount of

indebtedness, excluding operating lines, secured by mortgages on such property exceeds 75% of the market value of such individual property; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of indebtedness, excluding operating lines, secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;

- (h) Crombie shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of Crombie would be more than 60% of gross book value (65% including any convertible debentures of Crombie);
- (i) at no time shall Crombie incur indebtedness aggregating more than 20% of its gross book value (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which Crombie has entered into interest rate swap agreements to fix the interest rate for a one year period or more) at floating interest rates or having maturities of less than one year;
- (j) Crombie shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which Crombie holds an interest, directly or indirectly, or by an entity jointly-owned by Crombie with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by Crombie directly, would cause Crombie to contravene its investment guidelines or operating policies. Crombie is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by Crombie pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of Crombie permitted under the Declaration of Trust;
- (k) unless the acquisition or development has been approved by the Investment Committee in accordance with its mandate which had been approved by the Trustees, no acquisition of a value greater than \$5 million may be made nor any development undertaken unless and until the officers of Crombie have prepared and presented to the Board of Trustees a written report containing their recommendation that Crombie make the investment together with a financial analysis of the estimated cost and projected return from the investment and such supplementary information and data (including, without limitation, underlying assumptions, proposed financial arrangements and leasing, economic and market data) as is reasonably necessary to the investment decision;
- (l) Crombie shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of Crombie and the accidental loss of value of the assets of Crombie from risks, in amounts, with such insurers, and on such terms as the trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (m) Crombie shall obtain an independent appraisal of each property it intends to acquire and an engineering survey with respect to the physical condition thereof (including capital replacement programs); and
- (n) Crombie shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I ESA Report recommends that a further environmental site assessment be conducted, Crombie shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the trustees.

For the purposes of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation, partnership or other entity in which Crombie has an interest will be deemed to be those of Crombie on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to an investment in real property will be deemed to include an investment in a joint venture arrangement. In addition, the term “indebtedness” means (without duplication) on a consolidated basis:

- (a) any obligation of Crombie for borrowed money (excluding any premium in respect of indebtedness assumed by Crombie for which Crombie has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of gross book value with respect to such interest rate subsidy);
- (b) any obligation of Crombie incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- (c) any obligation of Crombie issued or assumed as the deferred purchase price of property;
- (d) any capital lease obligation of Crombie; and
- (e) any obligation of the type referred to in clauses (a) through (d) of another person, the payment of which Crombie has guaranteed or for which Crombie is responsible for or liable, provided that (i) for the purposes of (a) through (d), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of Crombie in accordance with GAAP; and (ii) obligations referred to in clauses (a) through (c) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business.

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

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “Investment Guidelines” and the operating policies contained in paragraphs (a), (c), (d), (e), (g), (h), (i), (j), (l), (m) and (n) set out under the heading “Operating Policies” may be amended only with the approval of two-thirds of the votes cast by Unitholders of Crombie at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

#### **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

Consolidated financial information relating to Crombie is included in Crombie’s 2008 Management’s Discussion and Analysis, which is incorporated by reference into this AIF.

In addition, the following table provides summary financial information for Crombie over the last fiscal period.

(in thousands, except per share information)	Year Ended December 31, 2008	Year Ended December 31, 2007	Period from March 23, 2006 to December 31, 2006
Property revenue	\$188,142	\$141,235	\$98,097
Property net operating income	\$116,843	\$83,219	\$56,749
Income before non-controlling interest	\$28,028	\$20,550	\$18,192
Non-controlling interest	\$13,440	\$9,891	\$8,787
Net income	\$14,588	\$10,659	\$9,405
Basic and diluted net income per unit	\$0.57	\$0.49	\$0.44

(in thousands)	December 31, 2008	December 31, 2007	December 31, 2006
Commercial property debt	\$808,971	\$493,945	\$426,191
Non-controlling interest	\$199,183	\$177,919	\$187,649
Unitholders' equity	\$215,580	\$190,834	\$200,894
Total assets	\$1,483,481	\$1,013,982	\$963,935

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Crombie's 2008 Management Discussion and Analysis, which is incorporated into this AIF, a copy of which may be obtained, without charge, from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or by contacting the Secretary of Crombie at 115 King Street, Stellarton, Nova Scotia B0K 1S0.

## MANAGEMENT OF CROMBIE

### Governance and Board of Trustees

The Declaration of Trust provides that, subject to certain conditions, the trustees have absolute and exclusive power, control and authority over Crombie's assets and operations, as if the trustees were the sole and absolute legal and beneficial owners of Crombie's assets. The governance practices, investment guidelines and operating policies of Crombie are overseen by the Board of Trustees consisting of a minimum of three (3) and a maximum of twelve (12) trustees, a majority of whom are Canadian residents. At all times, a majority of trustees must be Independent Trustees within the meaning of Multilateral Instrument 52-110— Audit Committees.

In fulfilling its mandate, the Board is responsible for, among other things, (i) participating in the development of and approving a strategic plan for Crombie; (ii) supervising the activities and managing the investments and affairs of Crombie; (iii) approving major decisions regarding Crombie; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing Crombie's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of Crombie's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (xiv) effecting payments of cash available for distribution from Crombie to Unitholders; (xv) acting for, voting on behalf of and representing Crombie as a holder of CS Trust Units, CS Trust Notes and other securities of CS Trust and as an indirect holder of LP Units of Crombie LP; and (xvi) voting in favour of Crombie's nominees to serve as trustees of CS Trust and directors of Crombie GP.

Other than the trustees appointed by ECL as described below, trustees are appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting. The nominees for election of the trustees are determined by the Governance and Nominating Committee in accordance with the provisions of the Declaration of Trust and are included in the proxy-related materials to be sent to Unitholders prior to each annual meeting of Unitholders.

The Declaration of Trust grants ECL the exclusive right to appoint certain trustees of Crombie based on its direct and indirect voting interest in Crombie at the time of appointment and the size of the Board, as shown in the following table:

<b>ECL's Voting Interest in Crombie</b>	<b>Total Number of Trustees of Crombie</b>	<b>Number of ECL Appointees</b>
Greater than 30%	Greater than 10	5
	10	4
	7 to 9	3
	5 to 6	2
	Less than 5	1
20% – 30%	Greater than 10	4
	10	3
	7 to 9	2
	Less than 7	1
10% – 19.99%	10 or greater than 10	2
	Less than 10	1
Less than 10%	Any	0

The following table sets forth the name, municipality of residence, positions held with Crombie and principal occupation of each of the trustees of Crombie. All of the trustees have held that position since the date indicated below, and will hold such positions until the next annual meeting of Unitholders, at which time they will be proposed for re-election or appointed by ECL.

<b>Name and Municipality of Residence</b>	<b>Position with Crombie</b>	<b>Principal Occupation</b>	<b>Director Since</b>
PAUL V. BEESLEY Stellarton, Nova Scotia	Trustee	Executive Vice President and Chief Financial Officer of Empire	February 26, 2009
J. STUART BLAIR <sup>(4)</sup> New Glasgow, Nova Scotia	Trustee, President and Chief Executive Officer	President and Chief Executive Officer of Crombie	February 14, 2006
JOHN EBY <sup>(1),(4),(7)</sup> Toronto, Ontario	Independent Trustee	Corporate Director	April 14, 2008
DAVID G. GRAHAM <sup>(2),(3),(8)</sup> Toronto, Ontario	Independent Trustee	President of Atlantic Developments Inc. and Chairman and CEO of Trax Atlantic Developments Inc.	February 14, 2006
BRIAN A. JOHNSON <sup>(5),(6)</sup> Toronto, Ontario	Independent Trustee	Partner of Crown Capital Partners and Crown Realty Partners	November 6, 2008
DAVID J. HENNIGAR <sup>(1),(3),(8)</sup> Halifax, Nova Scotia	Independent Trustee and Lead Trustee	Corporate Director	February 14, 2006
JOHN E. LATIMER <sup>(1),(3),(4),(6),(8)</sup> Toronto, Ontario	Independent Trustee	Corporate Director	February 14, 2006
DAVID A. LESLIE <sup>(1),(4),(8)</sup> Toronto, Ontario	Independent Trustee	Corporate Director	August 9, 2007
FRANK C. SOBEY Stellarton, Nova Scotia	Trustee and Chairman of the Board	Non-Executive Chairman of Crombie and President of ECL Properties Limited	February 14, 2006
KENT SOBEY <sup>(7)</sup> Toronto, Ontario	Independent Trustee	Television and Film Producer and Director	November 6, 2008
PAUL D. SOBEY <sup>(2)</sup> King's Head, Nova Scotia	Trustee	President and Chief Executive Office of Empire Company Limited	February 14, 2006
ELISABETH STROBACK <sup>(2),(4),(8)</sup> Toronto, Ontario	Independent Trustee	Property Development Consultant	February 14, 2006

Notes:

(1) Member of the Audit Committee.

(2) Member of the Human Resources Committee.

- (3) Member of the Governance and Nominating Committee.
- (4) Member of the Investment Committee.
- (5) Joined the Audit Committee effective February 26, 2009.
- (6) Joined the Human Resources Committee effective February 26, 2009.
- (7) Joined the Governance and Nominating Committee effective February 26, 2009.
- (8) Member of the Special Committee for Portfolio Acquisition

During fiscal 2008, Brian Johnson was appointed by the Board of Trustees as trustee effective November 6, 2008 and will hold such position until the next annual meeting of Unitholders. Kent Sobey was appointed by ECL as trustee effective November 6, 2008. David Hennigar was appointed to the Governance and Nominating Committee (Chair) effective April 14, 2008. David Graham was appointed to the Human Resources Committee effective April 14, 2008.

Subsequent to year end, Brian Johnson was appointed to the Audit Committee and Human Resources Committee effective February 26, 2009. Kent Sobey was appointed to the Governance and Nominating Committee effective February 26, 2009. John Eby was appointed to the Governance and Nominating Committee effective February 26, 2009. John Latimer was appointed to the Human Resources Committee and resigned from the Governance and Nominating Committee, each effective February 26, 2009. In addition, Paul Beesley was appointed by ECL as trustee effective February 26, 2009.

Additional biographical information regarding the trustees of Crombie for the past five years is set out below:

**Paul Beesley.** Paul Beesley is the Executive Vice President and Chief Financial Officer of Empire Company Limited, and is currently a director of Genstar Development Partnership. Prior to joining Empire Company Limited in 1999, Mr. Beesley was Vice President and Chief Financial Officer at The Globe and Mail in Toronto for three years. Previously Mr. Beesley worked for Delrina Corporation, Toronto, and with Sunoco and Suncor Inc. for eight years working through various positions to Director, Supply Operations. Mr. Beesley graduated from Dalhousie University in 1979 with his Bachelor of Science and obtained a Masters of Business Administration at Saint Mary's University, and his Chartered Accountant designation, in 1984. In 1995 Mr. Beesley completed the Program for Negotiation and in 2006 completed the Advanced Management Program both at Harvard University.

**J. Stuart Blair.** Stuart Blair was the President of ECL since January of 1997 and had previously held the position of Executive Vice President and Chief Operating Officer of ECL since 1987. Mr. Blair had been a director of ECL and its predecessors since 1987. Mr. Blair has been active in the commercial real estate industry since 1977.

**John Eby.** John Eby is a corporate director. He was Vice-Chairman of Scotia Capital from 2000 until his retirement in 2006 and for 10 years prior thereto had been Senior Vice President, Corporate and Energy Banking, The Bank of Nova Scotia. He is also a director of Inmet Mining Corporation, Monterey Exploration Ltd., Noranda Income Trust and Wajax Income Fund. Mr. Eby received his BA and MBA in finance from Queen's University. Mr. Eby is the founder and CEO of Developing Scholars, a not-for-profit organization that promotes educational initiatives in Guatemala.

**David G. Graham.** David Graham is the President of Atlantic Developments Inc., and Chairman and CEO of Trax Atlantic Developments Inc. - commercial real estate companies. Mr. Graham has held various positions with CB Commercial Real Estate Group Canada Inc., been an Assistant to the Federal Minister of Fitness and Amateur Sport, and worked for Procter & Gamble. Currently Mr. Graham serves on the Toronto Advisory Board of Nova Scotia Business Inc., the Business Advisory Board of T4G Limited and on The Coady International Institute Capital Campaign Leadership Team. Mr. Graham has a Bachelor of Business Administration and a Bachelor of Education from St. Francis Xavier University and a Masters of Science in Real Estate Development from Columbia University.

**David J. Hennigar.** David Hennigar is Chairman of High Liner Foods Inc., a major North American marketer of seafood products, Chairman of Annapolis Group Inc., a major real estate developer and environmental company. Mr. Hennigar is Chairman of Assisted Living Concepts Inc., a US based Assisted Living Residents Company. He is also a director of a number of other companies, including, Sentex Systems Ltd., SolutionInc Technologies Limited, VR Interactive International Inc., Medx Health Corp. and Scotia Investments Limited. As well, Mr. Hennigar is Chairman and President of Landmark Global Financial Group and Chairman and Acting President of Aquarius Coatings Inc. as well as an investment advisor for Jennings Capital Inc.

**Brian A. Johnson.** Brian Johnson is a partner of Crown Capital Partners and of Crown Realty Partners. From September 1993 until July 2007 he was president and chief executive officer of Crown Life Insurance Company. Mr. Johnson is a director of MCAN Mortgage Corporation, Western Surety Company and several of Crown Capital Partner's investee companies. He was a member of the University of Regina board of governors in from 1995 to 2002 and served as board chair from 1999 to 2001. He was also a director and Saskatchewan president of the Canadian Unity Council. Mr. Johnson received his B. Comm. (Gold Medalist) from the University of Manitoba and his M.B.A. from the University of Pennsylvania. He also holds the Chartered Financial Analyst (CFA) designation.

**John E. Latimer.** John Latimer retired from Monarch Corporation, a real estate development company as President and Chief Executive Officer in June 2000, after 22 years of service. He is the Lead Director of Genesis Land Development Corp. of Calgary, the Audit Chairman of Lifeco Split Corporation Inc. of Toronto, a mutual fund, the Audit Chairman of R Split III Corp. and Chairman of SL Split Corp. He serves on the Real Estate Advisory Committee for the University of Guelph and has served on the cabinet of the Greater Toronto United Way and the Mayor of Toronto's Homelessness Action Task Force.

**David A. Leslie.** David Leslie, a Fellow of the Institute of Chartered Accountants of Ontario, retired in 2004 after 37 years of service with Ernst & Young LLP, where he was Chairman and Chief Executive Officer from 1999 to 2004. While at Ernst & Young, he was seconded for a period to the federal Department of Finance as Senior Tax Advisor on Tax Policy and Legislation. He is a director of Empire Company Limited, Enbridge Gas Distribution Inc., IMRIS Inc., Enbridge Inc., Sobey's Inc. and Chair of Sunnybrook Health Sciences Centre.

**Frank C. Sobey.** Frank Sobey has been a director of Crombie and its predecessors since 1981 and Chairman since 1998. Mr. Sobey is a director and Chairman of the oversight committee of Sobey's and a trustee and Chairman of the governance and nominating committee of Wajax Income Fund. He is also Chairman of the Dalhousie Medical Research Foundation.

**Kent Sobey.** Kent Sobey founded Farmhouse Productions Ltd. in 2002, a company that produces film and television content for Canadian and United States broadcasters. In 2008, he joined Sumac Realty Canada, which invests in commercial real estate in Canada and Europe, as an investment and financing advisor. Mr. Sobey received his Bachelor of Arts from Dalhousie University and also graduated from Vancouver Film School.

**Paul D. Sobey.** Paul Sobey is President and Chief Executive Officer of Empire Company Limited. He received his Bachelor of Commerce from Dalhousie University, attended Harvard University Business School, Advanced Management Program in 1996 and is a Fellow Chartered Accountant. Mr. Sobey sits on the boards of Empire Company Limited, Sobey's Inc. and the Bank of Nova Scotia. Mr. Sobey served as Chairman and director of Wajax Income Fund (formerly Wajax Limited) from 2002 – May 2006. Mr. Sobey became a Fellow Chartered Accountant of Nova Scotia in 2006.

**Elisabeth Stroback.** Elisabeth Stroback is an advisor on the development of public infrastructure. Through her company, Tanalex Corp., Ms. Stroback provides clients with a broad range of project management and development advisory services. She has worked with Infrastructure Ontario evaluating

the application of Alternative Financing & Procurement (AFP) approaches to large, and often complex, public infrastructure projects. She led the team responsible for the redevelopment of the Queen Street site for the Centre for Addiction and Mental Health (CAMH) until 2006 and provided assistance to Halton Healthcare Services in early project planning for a new hospital in Oakville. Prior to 1999, Ms. Stroback was President and C.E.O. of Hammerson Canada Inc., a commercial property development company. She is a member of the Capital Projects Committee of the Sunnybrook Health Sciences Centre and has a Master's Degree in Economics from Queen's University, Kingston, Ontario.

The trustees and executive officers of Crombie, as a group, beneficially own, or control or direct, directly or indirectly, approximately 254,800 Units, representing approximately 0.49% of the outstanding voting securities of Crombie (Units and Special Voting Units).

No Trustee or executive officer is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including a personal holding company), that:

- (a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued while the trustee or executive officer was acting in the capacity as director, chief executive officer or chief financial officer other than (i) Mr. Hennigar who (A) was a director of Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited had an insider cease trade order in place from May 30, 2001 to October 9, 2001 for failing to file financial statements on time, and (B) was a director of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had an insider cease trade order in place from August 25, 2001 to September 26, 2001 for failing to file financial statements on time, and a cease trade order in place from December 12, 2008 to January 14, 2009 for failing to address TSX Venture Exchange requirements with respect to failing to hold shareholder meetings for the financial years ended March 31, 2007 and March 31, 2008, and (ii) Mr. Latimer who was a director of Genesis Land Development Corp. which had an insider cease trade order in place from April 7, 2006 to June 6, 2006 and an issuer cease trade order in place from June 6, 2006 to June 21, 2006, in each case for failing to file financial statements on time; or
- (b) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued after the trustee or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No Trustee, executive officer, unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT, or a personal holding company thereof,

- (a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Johnson who was Chair of the Board of Directors of CrownAg International (“CrownAg”) from 2000 to 2005. During that time Crown Life Insurance Company was both a shareholder and a secured creditor of CrownAg. Mr. Johnson was president and CEO of Crown Life Insurance Company. In order to realize on its security in 2005, Crown Life together with two other secured creditors, placed CrownAg into receivership under the *Bankruptcy and Insolvency Act* (Canada).;

- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### **Audit Committee**

The Audit Committee consists of four Trustees, all of which are both Independent Trustees and financially literate as required by Multilateral Instrument 52-110 - Audit Committees. The Audit Committee's responsibilities include: (i) reviewing Crombie's procedures for internal control with Crombie's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including Crombie's AIF and Management's Discussion and Analysis; (iv) overseeing Crombie's financial and accounting personnel; (v) assessing Crombie's accounting policies; (vi) reviewing Crombie's risk management procedures; and (vii) reviewing any significant transactions outside Crombie's ordinary course of business and any pending litigation involving Crombie.

The Audit Committee has direct communication channels with the Chief Financial Officer of Crombie and the external auditors of Crombie to discuss and review such issues as the Audit Committee may deem appropriate. As at December 31, 2008, the Audit Committee is comprised of David Leslie (Chair), David Hennigar, John Latimer and John Eby. Effective February 26, 2009, Brian Johnson was appointed to the Audit Committee.

### **Governance and Nominating Committee**

The Governance and Nominating Committee is comprised of three Independent Trustees and is charged with reviewing, overseeing and evaluating the governance and nominating policies of Crombie. In addition, the Governance and Nominating Committee is responsible for: (i) assessing the effectiveness of the Board of Trustees, each of its committees and individual trustees; (ii) overseeing the recruitment and selection of candidates as trustees of Crombie; (iii) organizing an orientation and education program for new trustees; (iv) considering and approving proposals by the trustees to engage outside advisers on behalf of the Board as a whole or on behalf of the Independent Trustees; and (v) reviewing and making recommendations to the Board concerning any change in the number of trustees composing the Board.

As at December 31, 2008, the Governance and Nominating Committee is comprised of David Hennigar (Chair), David Graham and John Latimer. Effective February 26, 2009, John Latimer resigned from the Governance and Nominating Committee and John Eby and Kent Sobey were appointed to the Governance and Nominating Committee.

### **Human Resources Committee**

The Human Resources Committee is comprised of a majority of Independent Trustees and is charged with reviewing, overseeing and evaluating the compensation policies of Crombie. In addition, the Human Resources Committee is responsible for: (i) considering questions of management succession; (ii) administering any unit option or purchase plan of Crombie, and any other compensation incentive programs; (iii) assessing the performance of management of Crombie; (iv) reviewing and approving the

compensation paid by Crombie, if any, to the officers, advisers and consultants of Crombie; and (v) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to trustees and officers of Crombie.

As at December 31, 2008, the Human Resources Committee is comprised of Elisabeth Stroback (Chair), David Graham and Paul Sobey. Effective February 26, 2009, Brian Johnson and John Latimer were appointed to the Human Resources Committee. The Board recognizes that, while not a legal requirement, maintaining a Human Resources Committee with a related trustee as a member does not fulfill the guidelines set forth by Canadian securities regulators. The Human Resources Committee has been structured in this way to reflect the significant retained interest of ECL in Crombie and to provide ECL with representation on this important committee proportionate to its interest. Crombie believes that the presence of an ECL nominee on the Human Resources Committee will result in a more collaborative process which will support the committee in fulfilling its mandate.

### **Investment Committee**

The Investment Committee is comprised of five trustees, four of which are Independent Trustees. No more than one member of the Investment Committee may be a member of management of Crombie, and the four trustees of the Investment Committee, other than its chairman, shall be comprised of two trustees who shall have particular expertise in the area of real estate investment and management and two trustees who shall have particular expertise in the area of corporate finance. The Investment Committee is charged with assisting the Board in discharging its responsibilities with regards to investments made and developments undertaken by Crombie. In addition, the Investment Committee is responsible for considering and, if appropriate, approving acquisitions proposed by management of Crombie with a value greater than \$5 million dollars or any development proposed to be undertaken by management of Crombie, provided that such authority shall be limited to the approval of (a) no more than one acquisition or new development proposal during each fiscal quarter of Crombie, and (b) a maximum of \$20 million dollars aggregate cost per acquisition or development project.

The Investment Committee is comprised of Stuart Blair (Non-voting Chair), Elisabeth Stroback, David Leslie, John Eby and John Latimer. Mr. Blair is a member of management of Crombie and a non-voting member of the Investment Committee. Mr. Latimer and Ms. Stroback have particular expertise in the area of real estate investment and management, and Mr. Eby and Mr. Leslie have particular expertise in the area of corporate finance.

### **Remuneration of Trustees and Ownership Requirements**

Each trustee who is not a senior executive of Crombie receives from Crombie an annual retainer initially in the amount of \$20,000 per year, plus a fee of \$1,500 for each day on which the trustee attends a board meeting in person, and \$750 for attendance by telephone. Effective February 26, 2009, the annual retainer payable to Trustees is \$30,000 per year. The Chairman of the Board receives an annual retainer of \$75,000 but does not receive meeting fees. Members of the Human Resources Committee, Investment Committee and Governance and Nominating Committee receive a fee of \$1,500 for each committee meeting attended in person and \$750 for attendance by telephone. Members of the Audit Committee receive \$2,000 for each committee meeting attended in person and \$1,000 for attendance by telephone. The Lead Trustee and the Chair of the Audit Committee each receive an additional annual retainer of \$10,000 and the Chair of the Human Resources Committee and the Governance and Nominating Committee each receive an additional annual retainer of \$5,000. Effective February 26, 2009, the additional annual retainer payable to the Chair of the Human Resources Committee was increased from \$5,000 to \$7,500. Trustees' fees for the services of Frank Sobey and Paul Sobey are paid by Crombie to Empire. Each trustee is also reimbursed for reasonable travel and other expenses properly incurred by him or her in attending meetings of the Board or any committee meeting.

Each trustee is expected to hold a minimum number of units. This has been set at four times the individual's annual retainer. This goal should be met by the fifth anniversary of joining the Board.

### **Conflicts of Interest**

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

All decisions of the Board of Trustees will require the approval of a majority of the trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the Independent Trustees:

- (a) an acquisition or disposition of a property or an investment in a property, whether by co-investment or otherwise, in which ECL or any related parties has any direct or indirect interest;
- (b) a material change to any material agreement or any renewal, extension or termination thereof or any increase in any fees payable thereunder (including any transaction fees);
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by Crombie, or the making, directly or indirectly, of any co-investment, in each case with (i) any trustee, (ii) any entity directly or indirectly controlled by any trustee or in which any trustee holds a significant interest, or (iii) any entity for which any trustee acts as a director or other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any trustee, (ii) any entity directly or indirectly controlled by any trustee or in which any trustee holds a significant interest, or (iii) any entity for which any trustee acts as a director or other similar capacity;
- (e) the grant of options or issuing of Units under any option or purchase plan, or any amendment thereto, provided to any trustee, officer or others;
- (f) a change in the number of trustees;
- (g) decisions relating to compensation of trustees; and
- (h) decisions relating to any claims by or against one or more parties to any of the material agreements, or any related party.

The Board also has in place appropriate structures to ensure that it can function independently of management of Crombie, including the appointment of a Chairman of the Board and a Lead Trustee. The Chairman of the Board is Frank Sobey and the Lead Trustee is David Hennigar. The Chairman's role and responsibilities includes managing the affairs of the Board of Trustees and, together with the Governance and Nominating Committee, monitoring the effectiveness of the Board. The Lead Trustee is an Independent Trustee, acting as an effective leader of the Board in respect of matters required to be considered by the Independent Trustees only, and ensures that the Board's agenda will enable it to successfully carry out its duties.

### Senior Management

The responsibilities of the senior management of Crombie includes: (i) providing the Board of Trustees with information and advice relating to the operation of Crombie's properties, acquisitions and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions, and completing any acquisitions or dispositions; (iv) maintaining the books and financial records of Crombie; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of Crombie for tax and accounting purposes; (vi) preparing reports and other information required to be sent to Unitholders and other disclosure documents; (vii) calculating and determining all distributions; (viii) communicating with Unitholders and other persons, including investment dealers, lenders and professionals; and (ix) administering or supervising the administration, on behalf of the Board of Trustees, of the payment of cash available for distribution and other distributions by Crombie.

The following table sets forth the name, municipality of residence and positions held with Crombie of each executive officer of Crombie:

<b>Name and Municipality of Residence</b>	<b>Office with Crombie</b>
J. STUART BLAIR New Glasgow, Nova Scotia	President and Chief Executive Officer
SCOTT M. BALL New Glasgow, Nova Scotia	Vice President, Chief Financial Officer and Secretary
PATRICK G. MARTIN New Glasgow, Nova Scotia	Vice President Leasing
SCOTT R. MACLEAN Stellarton, Nova Scotia	Vice President Operations
GARY FINKELSTEIN <sup>(1)</sup> Toronto, Ontario	Vice President Ontario and Quebec

Notes:

(1) Mr. Finkelstein joined Crombie on June 16, 2008.

Additional biographical information regarding the executive officers of Crombie is provided as follows:

**J. Stuart Blair.** Stuart Blair was the President of ECL since January of 1997 and had previously held the position of Executive Vice President and Chief Operating Officer of ECL and its predecessors since 1987. Mr. Blair had been a director of ECL and its predecessors since 1987. Mr. Blair has been active in the commercial real estate industry since 1977.

**Scott M. Ball.** After receiving his CA in 1987, Mr. Ball spent seven years with Cineplex Odeon Corporation, primarily as the Controller for the US Theatres Division. Mr. Ball was also the Corporate Controller for Sprint Canada and the Chief Financial Officer for Quartet Service Corporation. From February 2003 to May, 2006, Mr. Ball was the Vice President Property Accounting and Financial Reporting with O&Y Enterprise.

**Patrick G. Martin.** Mr. Martin joined ECL in 1997 and held a number of progressive positions including Regional Vice-President, Ontario/Quebec between February 2005 and September 2007. Mr. Martin has been involved in various aspects of the real estate industry for approximately 25 years.

**Scott R. MacLean.** From 1993 to March 2006, Mr. MacLean was Vice President Operations for ECL. Prior to 1993 he held various management positions with Cambridge Shopping Centres. Mr. MacLean has a Bachelor of Commerce from Saint Mary's University.

**Gary Finkelstein.** During the early 1990's and during his study towards his LL.B., Mr. Finkelstein owned and operated a private Commercial Property Management company. Upon his call to the Bar in 1994, he practiced Corporate Commercial and Real Estate Law in Toronto until he joined Canadian Tire Real Estate Limited in late 1999 and held a number of progressive positions culminating with the responsibility of all new store development for the Atlantic Region and Eastern Ontario. In 2003, Mr. Finkelstein joined Knightstone Capital Management Inc. as Vice President with the chief role of overseeing all Acquisitions, Development and Leasing for the growing commercial/retail portfolio. Mr. Finkelstein joined Crombie on June 16, 2008 and took on the role of Vice President Ontario/Quebec.

Certain trustees of Crombie are also directors and/or officers of Empire or the Empire Subsidiaries which have entered into several contractual arrangements with Crombie as described in this AIF. No trustee or officer of Crombie has any other existing or potential material conflicts of interest with Crombie or any of its subsidiaries.

## **AUDIT COMMITTEE INFORMATION**

### **Audit Committee Mandate**

The Audit Committee Mandate as approved by the Board is attached to the AIF as Appendix A. The Audit Committee Mandate contains specific policies and procedures for the engagement of non-audit services.

### **Audit Committee Composition**

The members of the Audit Committee, at the fiscal year ended December 31, 2008, and their relevant education and experience are:

1. David Leslie (Audit Committee Chairman)
  - Fellow of the Institute of Chartered Accountants of Ontario
  - Formerly Chairman and Chief Executive Officer of Ernst & Young LLP
  - Currently Director of Enbridge Inc. and CanWest Global Communications Inc.
  
2. David Hennigar
  - Bachelor of Commerce Honours Accounting
  - Master of Business Administration
  - FCSI Courses I and II
  - Canadian Securities Course (Investment Dealers Association)
  - Partners, Directors and Officers Course (Investment Dealers Association)
  - Member of audit committees of public companies
  - Chairman of audit committees of public companies
  - Chairman of companies listed on the New York and Toronto stock exchanges

3. John Latimer

- Member of audit committee of Genesis Land Development Corp. from 2001 to present
- Chairman of the financial committee of Weston Golf Club from January 2006 to present
- Member and Chairman of audit committee of Lifeco Split Corporation from August 2000 to present
- Chairman of the financial committee of Westminster United Church from January 1990 to December 2006

4. John Eby

- Vice-Chairman of Scotia Capital from 2000 to 2006
- MBA, Accounting and Finance
- Member of audit committees of Inmet Mining Corporation, Monterey Exploration Ltd., Noranda Income Fund and Wajax Income Fund

All members of the Audit Committee are considered to be financially literate and independent.

### **Pre-Approval Policies and Procedures**

Reference is made to Appendix A – Section E.4 for a description of the specific policies and procedures for the engagement of non-audit resources.

### **External Auditor Service Fees (by Category)**

External auditor service fees by category are disclosed under the heading “Appointment of Auditor” in the Information Circular for Crombie’s annual meeting of shareholders dated May 7, 2009.

## **LEGAL PROCEEDINGS**

Crombie is not a party or subject to any legal proceedings or group of similar proceedings, nor are any such proceedings known to Crombie to be contemplated, where the amount involved, exclusive of interest and costs, exceed 10% of the current assets of Crombie.

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

As at December 31, 2008, Empire, through its wholly-owned subsidiary ECL, holds a 47.9% indirect interest in Crombie. Crombie acquired from subsidiaries of Empire the initial 44 commercial properties on March 23, 2006, two additional properties in 2007 and 61 commercial properties on April 22, 2008. The purchase price for each property acquired by Crombie from subsidiaries of Empire was fair market value determined by external appraisals and approved by the independent trustees of Crombie. See “General Development of Crombie”.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar is CIBC Mellon Trust Company with offices located in Halifax, Nova Scotia and Toronto, Ontario, and can be contacted by phone at 1-800-387-0825 or by e-mail at [enquiries@cibcmellon.com](mailto:enquiries@cibcmellon.com).

## **MATERIAL CONTRACTS**

In addition to the Declaration of Trust, the following are the only contracts, other than contracts entered into in the ordinary course of business, which have been entered into by Crombie within the most recently completed financial year, or before the most recently completed financial year that are still in effect (referred to herein as the “Material Contracts”). The following is a summary of the Material Contracts,

which summaries are not intended to be complete. Reference is made to the Material Contracts for a complete description and the full text of their provisions. Copies of each Material Contract may be obtained on request without charge from Scott Ball, Chief Financial Officer of Crombie, via Crombie's website at: [www.crombiereit.com](http://www.crombiereit.com), or on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### **2008 Acquisition Agreements**

On February 25, 2008, Crombie LP, entered into the following agreements (collectively referred to as the “**2008 Acquisition Agreements**”) for the purchase and sale of the Portfolio Acquisition, including the purchase and sale of Sobeys Properties Partnership (“**SPP**”), a partnership formed under the laws of the Province of Nova Scotia, and Sobeys Properties Limited (“**SPL**”), a company existing under the laws of the Province of Nova Scotia: 1) an agreement among Crombie, Crombie LP and Sobey Leased Properties Limited (“**SLPL**”), a body corporate existing under the laws of the Province of Nova Scotia, and a wholly owned subsidiary of Empire, pursuant to which Crombie LP acquired certain properties from SLPL; 2) an agreement between Crombie LP and SPP pursuant to which Crombie LP acquired certain properties from SPP; and 3) an agreement among Crombie, Crombie LP, Empire and SLPL pursuant to which Crombie LP indirectly acquired certain properties of SPP by means of acquiring all of the shares of SPL, the managing partner of SPP, from Empire and all of SLPL's partnership interest in SPP from SLPL. The cost of the Portfolio Acquisition to Crombie was approximately \$428.5 million, excluding closing and transaction costs.

Pursuant to 2008 Acquisition Agreements, Crombie assumed (i) the contracts and other documents binding on the vendors with respect to the ownership or operation of the properties, (ii) the leases or other rights or licences granted by the vendors with respect to the properties, (iii) the existing third party warranties and guarantees relating to the properties, (iv) any permitted encumbrances as set out in the schedules to the 2008 Acquisition Agreements, and (v) any forward commitments for services, supplies or materials entered into in the ordinary course of business with respect to the properties. (See “General Development of Crombie”).

### **Underwriting Agreement**

In connection with Crombie's public offering on March 20, 2008 (the “2008 Offering”) (see “General Development of Crombie”), Crombie entered into an underwriting agreement dated February 29, 2008 with the CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Capital Corporation and Raymond James Ltd. (the “**Underwriters**”) pursuant to which the Underwriters agreed to purchase the Subscription Receipts and Debentures, subject to customary conditions, and pursuant to which Crombie granted to the Underwriters an over-allotment option to purchase additional Subscription Receipts.

### **Subscription Receipt Agreement**

In connection with the 2008 Offering, Crombie entered into a subscription receipt agreement dated March 20, 2008 with the Underwriters and CIBC Mellon Trust Company, as subscription receipt agent of the Subscription Receipts, which governed the terms of the Subscription Receipts (see “General Development of Crombie”). Each Subscription Receipt converted into one Unit upon closing of the Portfolio Acquisition.

### **Trust Indenture**

In connection with the 2008 Offering, Crombie entered into a trust indenture (the “**Trust Indenture**”) dated March 20, 2008 with CIBC Mellon Trust Company as debenture trustee, providing for the issue of the Convertible Debentures (see “Description of Capital Structure and Declaration of Trust – Convertible Debentures”).

## **Development Agreement**

Crombie is a party to a Property Development Agreement dated March 23, 2006 (the "Development Agreement"). Pursuant to the Development Agreement, ECL provides Crombie with a preferential right to acquire all property developments proposed to be undertaken by ECL which consists of retail (or predominantly retail) space (other than those developed for Sobeys at Sobeys' request). If Crombie elects not to participate in a development opportunity, then ECL will be entitled to develop and sell the property as it sees fit. If Crombie elects to participate in the development opportunity, Crombie will be afforded the opportunity to work with ECL in the planning and design of and the budgeting for the property, and Crombie will select and approve all proposed tenants for such property. Prior to commencing any development project, Crombie and ECL will agree on an acceptable rate of return on its investment in the project. All determinations required to be made by Crombie in connection with the decision to participate in a development opportunity under the Development Agreement will be made by Independent Trustees.

Once a development project is substantially complete and at least 80% of the GLA at the property is leased, the fair market value of the property will be determined by an independent third party appraiser using a valuation multiple equal to those commonly accepted by REITs under similar circumstances. If a sale of the property at a price equal to its appraised value would provide ECL with the agreed upon return on investment, ECL will be required to offer to sell the property to Crombie for such price and Crombie will be obligated to complete the purchase unless, in the opinion of Independent Trustees: (i) Crombie is unable to obtain acquisition financing on reasonably acceptable terms; or (ii) the acquisition will not generate an acceptable return for Crombie. If these conditions cannot be satisfied and Crombie rejects the offer, then ECL will be free to retain the property or sell it to a third party. If a sale of the property at the appraised value would not provide ECL with the agreed upon rate of return on investment, ECL will have the right to retain the property until such time as the fair market value of the property (as subsequently determined through a new independent third party appraisal) would provide ECL with the agreed upon return, at which time ECL will be required to offer to sell the property to Crombie at such new price and Crombie will have the option as described above to purchase such property, subject to the same conditions. Should ECL desire to sell the property at a price that would not provide it with the agreed upon rate of return upon investment, ECL must first offer Crombie the right to purchase the property before being entitled to sell it to a third party on terms not more favourable to the third party than those offered to Crombie.

Subject to the exceptions described below, ECL is the exclusive developer for Crombie and its subsidiaries throughout the term of the Development Agreement. Crombie is obligated to engage ECL to undertake all development or redevelopment projects on behalf of Crombie. However, if a third party offers a development property for sale to Crombie and such sale is conditional on that third party completing the development, Crombie will be entitled to request that ECL waive its rights under the Development Agreement with respect to that property, such waiver not to be unreasonably withheld. With respect to redevelopment projects, Crombie and ECL will be required to negotiate in good faith mutually agreeable terms for such redevelopment. If Crombie and ECL are unable to agree upon such terms, Crombie will be entitled to use a lower cost third party provider for that redevelopment.

ECL will have the option of requesting that Crombie provide mezzanine financing for the development of a property. If Crombie agrees to provide such mezzanine financing on mutually acceptable terms, Crombie will have the option, as described above, to purchase such property, subject to the same conditions, except that the purchase price of the property in such circumstances will be equal to the greater of, (i) the carried cost, being the cost of land plus all improvements (including, construction costs, professional fees, interest and applicable general and administrative costs) during the period to opening and all operating losses after opening, and (ii) 95% of the appraised fair market value at the date of acquisition.

The initial term of the Development Agreement is ten years, subject to extension as may be determined by mutual agreement of the parties. Either party is entitled to terminate the Development Agreement upon 30

days' written notice at any time if ECL's ownership of Special Voting Units falls below 10% of the outstanding Special Voting Units. In the event of such termination, the Development Agreement will continue to apply in all respects to the development of any property in which Crombie has elected to participate prior to such termination.

The debt secured by a development property may be assumed by Crombie upon its purchase only to the extent that it will not cause Crombie to exceed its debt covenants or breach its investment restrictions.

### **Non-Competition Agreement**

Crombie is a party to a Non-Competition Agreement dated March 23, 2006 (the "Non-Competition Agreement"). Pursuant to the Non-Competition Agreement, Empire and its affiliates shall not compete with Crombie in the acquisition, ownership, investment in or development of any anchored strip centres in Canada. The Non-Competition Agreement excludes from the prohibited activities: (i) activities covered by the Development Agreement; (ii) activities of Sobeys or its subsidiaries; (iii) activities related to the properties currently owned by Empire or its affiliates; and (iv) activities related to any properties acquired or developed by Empire or its affiliates (other than Sobeys) that are first offered to Crombie or which are purchased as replacement properties under certain financing arrangements of Empire Subsidiaries.

The Non-Competition Agreement also provides that anchored strip centres currently owned or under development by Empire and its affiliates (other than Sobeys) are subject to a right of first offer in favour of Crombie prior to disposition to a third party (other than an affiliate of Empire) which will be on terms not more favourable to the third party than those offered to Crombie.

The term of the Non-Competition Agreement is co-terminus with the term of the Development Agreement.

### **Omnibus Subsidy Agreement**

Crombie is a party to an Omnibus Subsidy Agreement dated March 23, 2006 (the "Omnibus Subsidy Agreement"). Pursuant to the Omnibus Subsidy Agreement, ECL provides Crombie with a rental income subsidy and an interest rate subsidy.

#### ***Rental Income Subsidy***

Certain of Crombie's properties contained rental space which was not occupied but had tenants in place who were under contract to occupy such space once Crombie had completed all improvements necessary to prepare the premises for tenant occupancy. Until such time as the new tenants were obligated under their leases to commence paying rent, ECL agreed to subsidize the monthly shortfall in rental income for specific premises at the following locations: Avalon Mall, Random Square, Prospect Street Plaza and Port Colborne Mall. ECL's subsidization obligation in respect of these locations was satisfied as at December, 2007.

#### ***Interest Rate Subsidy***

ECL also provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates on certain mortgages during their remaining terms to 5.54%. The amount of the interest rate subsidy is received by Crombie through monthly repayments by ECL of amounts due under one of the demand notes issued by ECL to CDL. During the year ended December 31, 2007, \$3.6 million was received in relation to this subsidy.

### **Management Cost Sharing Agreement**

Crombie is a party to a Management Cost Sharing agreement dated March 23, 2006 (the "Management Cost Sharing Agreement"). Pursuant to this agreement, for a period of five years commencing March 23,

2006, certain executive management individuals and other employees of Crombie will provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis. The costs assumed by Empire pursuant to this arrangement during the three months ended and year ended December 31, 2008 were \$0.3 million and \$1.4 million respectively (three months ended and year ended December 31, 2007 - \$0.7 million and \$1.5 million respectively) and were netted against general and administrative expenses, which amounts are owing by Crombie to Empire Company Limited. Additional properties and services can be covered by this arrangement by mutual agreement between Crombie and ECL for a fee to be determined based on fair market value. The Management Cost Sharing Agreement has an initial term of five years and will be renewed automatically for one-year terms unless either party notifies the other 90 days' prior to the expiration of the then current term of its intention not to renew such agreement.

### **Head Leases**

In order to provide Crombie with stable and predictable monthly revenue with respect to certain leaseable space, the aggregate of approximately 550,000 square feet of GLA, Crombie is a party to head lease agreements between Crombie LP or CDL, as lessor, and ECL, as lessee, in relation to properties located in County Fair Mall (Summerside), Fredericton Mall, Greenfield Park Centre and Highland Square Mall (the "Head Leases").

Certain terms and conditions applicable to the Head Lease for Highland Square Mall (the "Highland Lease") are different from those applicable to the other three Head Leases. The Highland Lease is for an initial term of three years, with options to renew in favour of Crombie for one two-year term and one further five-year term. During the term of the lease, including options, ECL will pay net annual rent of \$1.95 million (the "Highland Rent") to Crombie. Rental revenue received from third party tenants by Crombie will be credited against such payment and reduce ECL's payment obligation under the Highland Lease. In the event that during the ten-year period the total net rents received during any year from third party tenants exceed the Highland Rent, Crombie will retain 90% of the excess and ECL will receive 10% of the excess from Crombie, provided that ECL has not exercised its right to purchase the property. At the end of the ten-year period, Crombie will have the option to sell Highland Square Mall to ECL for the same purchase price that was attributed to the property at the time of its acquisition by Crombie. If, at any time prior to the expiry of the Highland Lease, including any options to renew, the annual rental revenue received from third party tenants does not exceed 70% of ECL's rent for two consecutive lease years, ECL will have the right to purchase the property from Crombie for the same purchase price that was attributed to the property at the time of its acquisition by Crombie.

Each of the Head Leases, other than the Highland Lease, has a term of ten years. During such term, ECL will be responsible for net rents equal to the projected net rent for a certain portion of the premises subject to such Head Leases, less the net rent receivable from third party tenants occupying such premises.

For all Head Leases, ECL implements all budgeted capital expenditures associated with establishing tenants for the designated vacant space, as it relates to the remaining term of the respective Head Lease. ECL will also be obligated to develop and lease up each property in accordance with general specifications agreed to between ECL and Crombie.

Each of the Head Leases will be partially surrendered from time to time, and ECL's obligation reduced accordingly, in respect of any space to be leased by a replacement tenant, provided such tenant is approved by Independent Trustees and the following conditions are met: (i) the term of the tenant's lease is at least five years, unless a shorter term would be typical for the designated space or would normally be acceptable to a landlord for such space; and (ii) the replacement tenant has commenced rental payments under its lease for the designated space. As at December 31, 2008, ECL's obligations had been met for the head leases related to County Fair Mall at Summerside, Prince Edward Island and Uptown Centre at Fredericton, New Brunswick.

Annually, for the term of each of the Head Leases (other than the Highland Lease), if the aggregate net rents receivable from all replacement tenants on lease-up is less than the anticipated rental rate applicable under such Head Lease, ECL will continue to pay the income shortfall. In the event that the aggregate net rents payable by replacement tenants on lease-up exceeds the anticipated rental rate applicable under such Head Lease, Crombie will retain 90% of the excess and ECL will receive 10% of the excess from Crombie for a 10-year period terminating March 22, 2016. Crombie may elect to buy out the 10% entitlement from ECL at fair market value. During the year ended December 31, 2008, a total of \$6.3 million had been recovered in relation to capital expenditures under this subsidy while a total of \$0.9 million had been received as rental income subsidy.

### **Ground Lease**

Vacant land at Greenfield Park Centre of approximately 95,000 square feet is subject to a ground lease in favour of ECL (the "Ground Lease"). Pursuant to the Ground Lease, ECL leases the undeveloped land at a nominal gross rent of \$10,000 per annum for 40 years less a day. ECL will be entitled in its sole discretion to develop this land (subject to a municipal development plan) and to the extent that ECL elects to do so, it will be responsible for all related development costs and any incremental operating costs. If and when ECL leases up all or a portion of the property to a new tenant approved by the Independent Trustees, ECL will offer to sell to Crombie ECL's interest in the space leased for the fair market value of the property as determined by an independent third party appraiser provided ECL will not be required to sell the property unless the sale price satisfies ECL's development costs and certain minimum rate of return on investment requirements. Crombie may decline to purchase the leasehold interest if, in the opinion of the Independent Trustees, (i) Crombie is unable to obtain acquisition financing on reasonably acceptable terms or (ii) the acquisition of such space would not generate an acceptable return for Crombie. Concurrently with such sale, ECL will surrender the relevant portion of the Ground Lease and be released accordingly.

### **Exchange Agreement**

Crombie has entered into an Exchange Agreement dated March 23, 2006 whereby ECL is granted certain rights, such as the right to require Crombie to indirectly exchange each Class B LP Unit for one Unit of Crombie, provided certain conditions have been met, and, for so long as ECL continues to hold at least 10% of the Units, pre-emptive rights to purchase Units in Crombie to maintain its *pro rata* ownership interest in Crombie. Also, in connection with a covenant of Crombie under the Revolving Credit Facility, the Exchange Agreement also provides that ECL must give at least six months prior written notice of its intention to reduce its voting interest in Crombie below 40%.

### **INTEREST OF EXPERTS**

Crombie's auditor is Grant Thornton LLP, 610 East River Road, New Glasgow NS B2H 5E5. Crombie's consolidated financial statements as at the year ended December 31, 2008 have been filed under National Instrument 51-102 in reliance on the report of Grant Thornton LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Grant Thornton LLP has advised us they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

### **PROMOTERS**

Crombie had no promoters within its two most recently completed financial years.

### **ADDITIONAL INFORMATION**

Crombie shall provide any person or company, upon request to the Secretary of Crombie:

- (a) when the securities of Crombie are in the course of a distribution pursuant to a short-form prospectus or a preliminary short-form prospectus or a short form prospectus has been filed in respect of a proposed distribution of its securities,
- (i) one copy of Crombie's latest AIF, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;
  - (ii) one copy of the consolidated financial statements of Crombie for its most recently completed financial year together with the auditors' report thereon and one copy of any interim financial statements issued by Crombie subsequent to such annual audited financial statements;
  - (iii) one copy of the Information Circular of Crombie in respect of its most recent annual general meeting of shareholders which involved the election of trustees; and
  - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a) (i), (ii) and (iii) above, provided that Crombie may require the payment of a reasonable charge if the request is made by a person or Trust who is not a security holder of Crombie.

Additional financial information is provided in Crombie's comparative financial statements and Management's Discussion and Analysis for its last fiscal year ended December 31, 2008. A copy of such documents may be obtained by request from Scott Ball, Chief Financial Officer of Crombie, via Crombie's web site at: [www.crombiereit.com](http://www.crombiereit.com), or on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **APPENDIX A – CROMBIE AUDIT COMMITTEE MANDATE**

The Audit Committee of the Board of Trustees has the responsibilities and duties as outlined below:

### **A. MANDATE**

- To perform such duties as may be required by applicable legislation and regulations including those of the Ontario Securities Commission and the Toronto Stock Exchange.
- To assist the Board of Trustees in fulfilling its oversight responsibilities for:
  - The integrity of the financial statements;
  - Compliance with legal and regulatory requirements relating to financial disclosure;
  - The external auditors' independence, performance and fees;
  - Identification and monitoring of principal risks that could impact financial reporting; and
  - The system of internal control for financial reporting.
- To perform such other duties as may from time to time be assigned to the Audit Committee by the Board.

### **B. AUDIT COMMITTEE COMPOSITION**

The Audit Committee shall be composed of three or more Trustees, appointed by the Board on the recommendation of the Governance and Nominating Committee. All members of the Committee must be independent. Independence of the Board Members will be defined by applicable legislation and at a minimum each Committee member will have no direct or indirect relationship with the REIT which in the view of the Board of Trustees could reasonably interfere with the exercise for a member's independent judgement except as otherwise permitted by applicable laws.

All members of the Audit Committee shall be financially literate (as defined by applicable legislation). A member of the Board of Trustees who is not financially literate may be appointed to the Audit Committee provided that the member becomes financially literate within four months following his or her appointment, subject to the company's Board of Trustees determining that this appointment will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the other requirements of this mandate.

If an Audit Committee member ceases to be independent for reasons outside the member's reasonable control, the member shall tender their resignation to the Chair of the Governance and Nominating Committee within three months of the occurrence of the event which caused the member to not be independent.

Members are reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Unitholders. Members shall hold office until the earlier of the time which their successors are appointed or they cease to be Trustees of Crombie REIT. Vacancies of members of the Audit Committee may be filled for the remainder of the current term of appointment by the Board, upon recommendation of the Governance and Nominating Committee.

The Board shall appoint from the Audit Committee membership a Chair for the Audit Committee to preside at its meetings. The Chair must be independent. In the absence of the Chair, one of the other members of the Audit Committee present shall be chosen by the Audit Committee to preside at the meeting.

### **C. AUTHORITY**

The Audit Committee has the authority to:

1. Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
2. At the REIT's expense, as determined by the Committee, retain independent counsel, accountants or others to advise the Audit Committee or assist in carrying out its duties or assist in the conduct of an investigation;
3. Meet with Management, internal auditors, external auditors or outside counsel as necessary; and
4. Call a meeting of the Board to consider any matter of concern to the Audit Committee.

### **D. MEETINGS**

The Audit Committee shall meet quarterly or more frequently as circumstances dictate. Meetings of the Audit Committee may be called by:

- The Chair;
- Any member of the Audit Committee; or
- The external auditors.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Audit Committee without the presence of Management at each meeting. The Audit Committee will meet in-camera with the external auditors at each meeting. The Secretary of the Company shall act as Secretary of the Audit Committee and minutes of the Audit Committee shall be recorded and maintained by the Secretary.

### **E. RESPONSIBILITIES**

1. As required by the Board, the external auditor reports directly to the Audit Committee.
2. The Audit Committee must recommend to the Board of Trustees;
  - (a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT; and
  - (b) the compensation of the external auditor.
3. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditor regarding financial reporting.
4. The Audit Committee must pre-approve all non-audit services to be provided to the REIT or its subsidiary entities by the REIT's external auditor. The Audit Committee has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

*De minimis* non-audit services satisfy the pre-approval requirement provided:

- (a) the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total audit fees paid by the REIT and its subsidiaries to the REIT's external auditor during the fiscal year in which the services are provided;
- (b) the REIT or subsidiaries of the REIT, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Audit Committee of the REIT and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

The Audit Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

- 5. The Audit Committee reviews and recommends to the Board approval of the REIT's financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information. It also ensures that adequate procedures are in place for the review of financial information extracted or derived from the REIT's financial statements, contained in the REIT's other financial disclosures and must periodically assess the adequacy of those procedures.
- 6. The Audit Committee must establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the REIT regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the REIT of concerns regarding questionable accounting or auditing matters.
- 7. The Audit Committee must review and approve the REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the REIT.
- 8. The Audit Committee shall undertake a process to identify the principal risks of the business and ensuring appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from management and others regarding the degree of integrity of the risk mitigation strategies.
- 9. The Audit Committee shall report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting.
- 10. The Audit Committee shall review the Form 52-110F1, disclosure required in the company's Annual Information Form.