



**BPO PROPERTIES LTD.
RENEWAL ANNUAL INFORMATION FORM**

MARCH 17, 2009

BPO PROPERTIES LTD.

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NOTES REGARDING THIS AIF

NOTE REGARDING FINANCIAL INFORMATION

Financial data included in this Annual Information Form (“AIF”) has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with non-GAAP measures such as net operating income and funds from operations being reconciled to appropriate Canadian GAAP measures. All dollar references, unless otherwise stated, are in millions of Canadian dollars except per share amounts. Amounts in U.S. dollars are identified as “US\$”. This AIF should be read in conjunction with our management discussion and analysis and audited consolidated financial statements and appended notes each of which appear in our annual report. Unless otherwise indicated, the statistical and financial data contained in this AIF are presented as at December 31, 2008.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the “General Development of the Business” and “Business of BPO Properties” sections of this AIF constitute forward-looking statements and information within the meaning of applicable securities legislation. These forward-looking statements reflect management’s current beliefs and are based on assumptions and information currently available to the management of BPO Properties Ltd. (“BPO Properties”). In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “forecast”, “outlook”, “potential”, “continue”, “should”, “likely”, or the negative of these terms or other comparable terminology. Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of BPO Properties to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the company’s properties; timely leasing of newly-developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants’ financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the impact of newly-adopted accounting principles on the company’s accounting policies and on period-to-period comparisons of financial results; and other risks and factors described from time to time in the documents filed by the company with the securities regulators in Canada including in this AIF under the heading “Business of BPO Properties – Company and Real Estate Industry Risks.” BPO Properties undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

BPO Properties Ltd. (“BPO Properties” or the “Corporation”) was formed under the *Canada Business Corporations Act* on November 3, 1978 by articles of amalgamation. The articles of the Corporation have been amended from time to time to change its capital structure, the number of directors and to change its name from Gentra Inc. to BPO Properties (April 2001). The Corporation’s articles were restated on February 23, 1996.

The Corporation’s head and registered office is at Brookfield Place, 181 Bay Street, Suite 330, Toronto, Ontario, M5J 2T3.

INTERCORPORATE RELATIONSHIPS

The principal subsidiaries of the Corporation and their respective jurisdictions of formation are set out below. All interests are 100 per cent ownership interests unless otherwise indicated. Unless otherwise noted or the context otherwise indicates, references to “BPO Properties” and the “Corporation” are to BPO Properties Ltd. and its consolidated subsidiaries, unless the context requires otherwise.

As of March 17, 2009, the Corporation beneficially owned, directly or indirectly, the percentage interest of the voting and non-voting securities of the subsidiaries listed below. Certain subsidiaries, each of which represent not more than 10% of the consolidated assets and not more than 10% of the consolidated revenues of BPO Properties, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated revenues of BPO Properties at March 17, 2009, have been omitted. Indentation indicates the voting securities are directly or indirectly owned by the subsidiary listed above.

Principal Subsidiaries	Jurisdiction of Formation	Percentage Interest	Property (including Percentage Interest if less than 100%) /Line of Business
70 York Street Limited	Ontario	100%	HSBC Building Ground Lease, 70 York Street, Toronto
718357 Ontario Limited	Ontario	100%	Oak Ridges Farm Co-Tenancy, Richmond Hill (23.75%)
2948834 Canada Inc.	Canada	100%	Holding Company
Exchange Tower Limited	Ontario	100%	Bay-Adelaide Centre, Toronto (50%)
Brookfield Properties (ET) Ltd.	Ontario	100%	} Exchange Tower & Lands, Toronto (50%)
1211460 Ontario Limited	Ontario	100%	
1262004 Ontario Limited	Ontario	100%	} Queen’s Quay Terminal & Lands, Toronto
1452917 Ontario Limited	Ontario	100%	
1450779 Ontario Limited	Ontario	100%	20-22 Front Street E., Toronto
1464255 Ontario Limited	Ontario	100%	Hudson’s Bay Centre, Toronto (25%)
1523605 Ontario Limited	Ontario	100%	105 Adelaide Street West, Toronto
3744469 Canada Inc.	Canada	100%	} Royal Centre & Lands, Vancouver
3945863 Canada Inc.	Canada	100%	
Brookfield Properties (Bankers Hall) Ltd.	Alberta	100%	Bankers Hall, Calgary (50%)
Brookfield Properties (RBB) Ltd.	Alberta	100%	Royal Bank Building, Calgary (50%)
PCC Properties (Calgary) Ltd.	Alberta	100%	Petro-Canada Centre, Calgary (50%)
Fifth Avenue Place (Calgary) Ltd.	Alberta	100%	Fifth Avenue Place, Calgary (50%)
Brookfield Properties Management Corporation	Canada	100%	Property Management Company
BPO Real Estate Corporation	Alberta	100%	Holding Company
BPO Value Add Trust	Alberta	100%	Altius Centre, Calgary (25%) Canadian Western Bank Place, Edmonton (25%) Enbridge Tower, Edmonton (25%)
BPO Core Trust	Alberta	100%	Place de Ville I, Ottawa (25%) Place de Ville II, Ottawa (25%) Place de Ville III, Ottawa (25%) Jean Edmonds Tower, Ottawa (25%) 2 Queen Street East, Toronto (25%) Yonge/Richmond Centre, Toronto (25%)
1445750 Ontario Inc.	Ontario	100%	Holding Company
2072790 Ontario Inc.	Ontario	25%	Holding Company
First Place Tower Brookfield Properties Inc.	Ontario	25%	First Canadian Place, Toronto

Principal Subsidiaries	Jurisdiction of Formation	Percentage Interest	Property (including Percentage Interest if less than 100%) /Line of Business
Brookfield Properties (PI) Inc.	Ontario	25%	Management Company
BPO GP Ltd.	Alberta	100%	Holding Company
BPO Bloor Yonge GP Ltd.	Canada	100%	General Partner
BPO Properties Bloor Yonge LP	Ontario	100%	Hudson's Bay Centre, Toronto (75%)
BPO GP Trust	Alberta	100%	General Partner
BPO Properties Bay Adelaide LP	Ontario	100%	Bay-Adelaide Centre, Toronto (50%)
BPO Properties 74 York LP	Ontario	100%	74 York Street, Toronto (50%)
BPO Properties 76 York LP	Ontario	100%	76 York Street, Toronto (50%)
BPO Properties Yonge Adelaide LP	Ontario	100%	Yonge Adelaide, Toronto
BPO Properties CHS LP	Alberta	100%	} Calgary Herald Site, Calgary
6640982 Canada Inc.	Canada	100%	
Brookfield Properties Bankers Court LP	Alberta	100%	Bankers Court, Calgary (50%)

HISTORY

BPO Properties invests in real estate, focusing on the ownership and value enhancement of premier office properties. The current property portfolio is comprised of interests in 27 commercial properties totaling 18.1 million square feet and five development projects totaling 5.7 million square feet.

Brookfield Properties Corporation ("Brookfield Properties"), through a wholly-owned subsidiary, owns approximately 89.7% of our common equity, comprised of approximately 56.1% of the Common Shares outstanding and 100% of the Non-Voting Equity Shares.

On September 30, 1997, Brookfield Properties purchased 14,582,252 of our Common Shares for an aggregate purchase price of \$190 million. The purchase price was satisfied by a cash payment and approximately 4.6 million common shares of Brookfield Properties. On completion of the transaction, Brookfield Properties held approximately 43% of our outstanding Common Shares. On September 30, 1997, Brookfield Properties also entered into an agreement to purchase our Series R Preferred Shares. On October 15, 1997, the Series R Preferred Shares were converted into Common Shares of BPO Properties, increasing Brookfield Properties' ownership to 45%.

During 1999, we acquired 5.8 million of our own Common Shares at a price below net asset value for a total of \$57 million, thereby increasing Brookfield Properties' equity interest to 52%. Subsequent to December 31, 1999, an additional 4 million of our Common Shares were repurchased for a total cost of \$40 million, thereby increasing Brookfield Properties' equity interest in BPO Properties to 59% (47% on a voting basis).

In June 2000, we acquired a Western Canadian office portfolio, consisting of four office towers in Calgary and Vancouver. These properties, formerly part of the TrizecHahn portfolio, comprise a total of 3.5 million square feet of prime office, retail and parking space. The portfolio includes the flagship Bankers Hall East and West Towers and the Royal Bank Building in downtown Calgary, as well as the Royal Centre in downtown Vancouver.

In September 2000, Brookfield Properties' effective ownership of BPO Properties was increased to 85% through the issuance of 5.3 million Common Shares and the payment of \$5 million in cash. Brookfield Properties subsequently acquired an additional 2% of BPO Properties through capital repurchases, bringing its equity ownership interest in BPO Properties to 87% (47% on a voting basis).

In April 2003, Brookfield Properties acquired 574,500 of our Common Shares in a private transaction at a cost of \$27 per share. The transaction increased Brookfield Properties' equity interest in BPO Properties to 89%. Thereafter, Brookfield Properties extended an offer to acquire the balance of our outstanding Common Shares not owned by Brookfield Properties. In June 2003, Brookfield Properties withdrew its proposal to enter into a "going private transaction" with BPO Properties due to the lack of support from minority shareholders.

In October and November of 2005 we completed the acquisition of O&Y Properties Corporation and the assets and liabilities of O&Y Real Estate Investment Trust, adding approximately 11.6 million square feet to BPO Properties' office portfolio. The \$2 billion O&Y portfolio acquisition, one of the largest real estate deals in Canadian history, comprised 24 office properties consisting of 27 buildings and one development site in five Canadian cities. The portfolio was acquired by a consortium of institutional investors, led and managed by us investing directly through property level joint ventures (collectively, "Canadian Office Fund"). BPO Properties provided 25% of the equity, approximately \$200 million, and serves as property and asset manager for the Canadian Office Fund.

GENERAL DEVELOPMENT OF THE BUSINESS

The significant events affecting our business during the last three financial years and to the date of this AIF are summarized below. A number of these events and conditions are discussed in greater detail under the heading “Business of BPO Properties”. We have not repeated the major events referred to above under “History”.

YEAR-ENDED DECEMBER 31, 2006

On April 10, 2006, we completed the acquisition of the remaining 75% interest in the Hudson’s Bay Centre in Toronto for approximately \$112.5 million.

In June 2006, our Canadian Office Fund sold eight non-core office properties, totaling approximately one million square feet, consisting of six properties in Calgary, Alberta and two properties in Winnipeg, Manitoba. In June 2006, the fund also sold a 16,000 square foot residential land development site located at 1014-1020 5th Ave SW in Calgary. Proceeds for these transactions totalled approximately \$245 million prior to selling costs and repayment of debt. The fund also completed the sale of O&Y Enterprise, a third-party management business acquired with the O&Y portfolio.

On July 19, 2006, we launched the three phase 2.6 million square foot Bay Adelaide Centre development in Toronto with the signing of a long-term lease with KPMG LLP to anchor Bay Adelaide West, the 1.2 million square foot, 51-story office tower located on the northeast corner of Bay and Adelaide Streets. Occupancy of Bay Adelaide Centre West is expected in 2009. Phases Two and Three of Bay Adelaide Centre will likely be a mix of office and hotel/residential space.

On July 27, 2006, we launched the Bankers Court development project, a 500,000 square foot, two-building project. Active development of the first building, totaling 265,000 square feet, is taking place and is expected to be completed in 2009. The building is 100% leased. We and British Columbia Investment Management Corporation each own 50% of the Bankers Hall and the Bankers Court developments.

YEAR-ENDED DECEMBER 31, 2007

On February 21, 2007, we sold 2200 and 2204 Walkley in Ottawa for a gross sale price of \$25.2 million, resulting in a gain of approximately \$0.6 million for our 25% interest in these two buildings with a combined square footage of 159,000 square feet.

On February 26, 2007, we sold Atrium on Bay in Toronto for a gross sale price of \$250.0 million, resulting in a gain of approximately \$54 million for our 50% interest in this 1.2 million square foot building.

On May 16, 2007, we sold 18 King St. in Toronto, for a gross sale price of \$45.6 million, resulting in a gain of \$4.9 million for our 25% interest in this 250,000 square foot building.

On June 25, 2007, we expanded the Herald Block development site in Calgary with the acquisition of the Heagle building for \$5 million, adding 100,000 square feet of additional density to the site, which now has a capacity of 1.2 million rentable square feet. The acquisition of the building also links the site to existing skybridge connections.

On July 26, 2007, we closed on a \$420 million construction loan for Bay Adelaide Centre. The loan bears interest at Bankers Acceptance plus 1.35% and has a three-year term with two one-year extension options.

On August 30, 2007, we sold 2 and 40 St. Clair Ave. West in Toronto for a gross sale price of \$87.2 million, resulting in a gain of approximately \$5.6 million for our 25% interests in these two buildings with a combined square footage of 450,000 square feet.

On December 13, 2007, we sold Gulf Canada Square in Calgary for a gross sale price of \$382 million, resulting in a gain of approximately \$25.6 million for our 25% interest in this 1.1 million square foot building.

YEAR-ENDED DECEMBER 31, 2008

In February 2008, we refinanced the mortgage of 105 Adelaide Street West, Toronto, for \$23.1 million. The loan bears interest at 5.32% per annum and matures in February 2013.

In the first quarter of 2008, we declared a special dividend of \$7.25 per Common Share, totaling approximately \$206.5 million. This special dividend was funded from the Corporation’s cash resources.

In April 2008, we arranged financing for three properties, totaling \$122.4 million on a 100% basis. The properties include 2 Queen Street East in Toronto, Altius Centre in Calgary, and Canadian Western Bank Place in Edmonton. The debt is interest only at 5.64% per annum and matures in December 2017.

On April 1, 2008, we sold Acres House in Niagara Falls for a gross sale price of \$3.4 million, resulting in a gain of \$nil for our 25% interest in this building.

In the second quarter of 2008, we arranged financing of \$110 million for Hudson's Bay Centre in Toronto. The previous loan of \$100 million was fully repaid at maturity, resulting in net proceeds of \$10 million to the Corporation. The loan bears interest at 5.20% per annum and matures in 2013. There is a two-year extension option that extends the maturity to 2015, provided that certain debt service and loan-to-value thresholds are met.

In the second quarter of 2008, we also arranged financing of \$122 million for Royal Centre in Vancouver. The previous bridge facility of \$132 million was fully repaid. The loan bears interest at 4.96% per annum and matures in 2012.

In October 2008, we completed a bridge facility of \$300 million on Petro Canada Centre, Calgary, for a one year term, raising net proceeds of \$28.5 million at ownership. With the recent signing of a one million square foot lease, this asset will be permanently financed in 2009.

In the third quarter of 2008, we refinanced 22 Front Street in Toronto for \$20.0 million. This loan bears interest at 6.24% per annum and matures in October 2020. The loan generated net proceeds of \$13.7 million after repayment of the previous loan of \$6.3 million.

In 2008, we repurchased 147,900 of our Common Shares for a total of \$7.0 million at an average price of \$47.32 per share. Since the inception of our normal course issuer bid, we have invested \$9.2 million, acquiring 181,400 million Common Shares at an average price of \$50.67.

BUSINESS OF BPO PROPERTIES

OVERVIEW

BPO Properties is a publicly-traded Canadian commercial real estate company listed on the Toronto Stock Exchange (“TSX”) under the symbol BPP. We own, develop, and manage premier commercial office properties in select cities in Canada. At December 31, 2008, the book value of BPO Properties’ total assets was \$2,352.5 million. During 2008, we generated \$65.5 million of net income (\$1.80 per Common Share) and \$154.0 million of funds from operations (\$4.92 per Common Share).

COMMERCIAL PROPERTY OPERATIONS

Our strategy of owning, proactively managing, and developing premier properties in high-growth, and in many instances supply-constrained markets, with high barriers to entry has created one of Canada’s most distinguished portfolios of office properties. Our commercial property portfolio consists of interests in 27 properties totaling 18.1 million square feet, including 3.3 million square feet of parking. Our development portfolio comprises five development sites totaling 5.7 million square feet. Our primary markets are the financial, energy, and government center cities of Toronto, Ottawa, Calgary, Edmonton, and Vancouver. We intend to continue our strategy of concentrating operations within a select number gateway cities with attractive tenant bases in order to maintain a meaningful presence and build on the strength of our tenant relationships within these markets.

We remain focused on the following strategic priorities:

- Surfacing value from our properties through proactive leasing and select redevelopment initiatives;
- Prudent capital management, including the refinancing of mature properties and investing in joint venture opportunities with institutional partners who seek to benefit from the depth of our expertise;
- Monetizing development assets when the economy rebounds and supply constraints create opportunities; and
- Expanding our asset-management platform through the establishment of new joint venture opportunities or funds.

The following table summarizes our investment by market:

Region	Number of Properties	Total Area (000’s Sq. Ft.)	BPO Properties' Owned Interest (000’s Sq. Ft.)	Book Value (Millions)	Debt (Millions)	Net Book Equity (Millions)
Toronto, Ontario	9	7,054	3,701	\$ 597.8	\$ 370.8	\$ 227.0
Ottawa, Ontario	6	2,780	695	99.4	24.6	74.8
Calgary, Alberta	8	6,704	3,259	511.6	391.2	120.4
Edmonton, Alberta	2	711	178	17.4	37.1	(19.7)
Vancouver, B.C.	1	853	853	109.7	120.0	(10.3)
Other	1	3	3	2.8	—	2.8
Continuing operations	27	18,105	8,689	1,338.7	943.7	395.0
Office developments	8	5,677	4,626	689.1	311.6	377.5
Total	35	23,782	13,315	\$ 2,027.8	\$ 1,255.3	\$ 772.5

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. Major tenants with over 500,000 square feet of space in the portfolio include Public Works and Government Services Canada, Bank of Montreal/BMO Nesbitt Burns, Petro-Canada, Imperial Oil and Talisman Energy.

The following list shows the largest tenants by leasable area in our portfolio and their respective lease commitments:

Tenant	Location	Year of Expiry ⁽¹⁾	000's Sq.Ft. ⁽²⁾	% of Sq.Ft. ⁽²⁾	Credit Rating ⁽³⁾
Rated					
Government of Canada	Various	2013	1,896	12.8	AAA
Bank of Montreal/BMO Nesbitt Burns	Toronto, Ottawa, Calgary	2018	1,134	7.6	A+
Petro-Canada	Calgary	2028	1,015	6.8	BBB
Imperial Oil	Calgary	2016	717	4.8	AAA
Talisman Energy	Calgary	2015	539	3.6	BBB
Total			5,301	35.6	

⁽¹⁾ Weighted average based on square feet

⁽²⁾ Prior to considering partnership interests in partially-owned properties and excludes parking

⁽³⁾ From Standard & Poors Rating Service, Moody's Investors Service or Dominion Bond Rating Service Inc. ("DBRS")

Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall retenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and although each market is different, the majority of our leases, when signed, extend between five and 10-year terms. As a result of this strategy, approximately 9.3% of our leases will mature annually over the next five years.

COMMERCIAL DEVELOPMENT

We hold interests in 5.7 million square feet of high-quality, centrally located development sites at various stages of planning and construction. We will seek to monetize these sites through development only when our risk-adjusted return hurdles are met and when pre-leasing targets in excess of 50% with one or more lead tenants have been achieved.

The following table summarizes our commercial development projects at December 31, 2008:

	Location	Number of Properties	Number of Sites	Ownership ⁽¹⁾	Total Sq. Ft.
Toronto, Ontario	Bay Adelaide Centre	3	1	100%	2,600,000
	Brookfield Place III	1	1	54% ⁽²⁾	800,000
Ottawa, Ontario	Place de Ville III	1	1	25%	577,000
Calgary, Alberta	Herald Block	1	1	100%	1,200,000
	Bankers Court	2	1	50%	500,000
Total		8	5		5,677,000

⁽¹⁾ Represents the Corporation's consolidated interest before non-controlling interests

⁽²⁾ Represents the Corporation's consolidated interest combined with the interest of Brookfield Properties.

COMMERCIAL PROPERTY AND DEVELOPMENT DEBT

Commercial and development property debt totaled \$1,255.3 million at December 31, 2008 (compared to \$965.5 million on December 31, 2007). The increase is primarily attributed to additional advances on the development loans of Bay Adelaide Centre in Toronto and Bankers Court in Calgary, as well as net new proceeds on financing various properties throughout the year.

At December 31, 2008, the average term to maturity of the Corporation's commercial property and development debt was four years and the Corporation's average lease term of its properties was approximately seven years. The Corporation has debt on four properties maturing in 2009 in the amount of \$217.6 million. These debts are expected to be refinanced in the normal course. The Corporation will continue to make efforts to match the maturity of its commercial property debt portfolio with the average lease term of its properties.

PRIMARY MARKETS

The following is a brief overview of the commercial property markets in which BPO Properties operates as of the date of this AIF and includes discussion of management's expectations with respect to certain markets which, by its nature, contains certain forward-looking statements. Forward-looking statements require us to make certain assumptions and are subject to inherent risks and uncertainties that could cause actual results or events to differ materially from current expectations. Please refer to the sections "Forward-looking Statements" on page i and "Business of BPO Properties – Company and Real Estate Industry Risks" on pages 13 to 18 of this AIF for a discussion of certain of these risks and uncertainties and material facts and assumptions related to the statements set forth in this section.

The term "BPO Properties Direct" refers to those properties which are wholly-owned or owned through property-level joint ventures. When referring to ownership of properties by the Canadian Office Fund such ownership percentage refers to that of the applicable fund and not the proportionate percentage ownership of BPO Properties. See "Business of BPO Properties - Investment Strategy" for a description our interest in our funds. Total Area includes commercial office, retail, storage and parking.

Toronto, Ontario

The Toronto market contains the largest area of office space in Canada. The greater Toronto area has approximately 162.4 million square feet of office space divided equally between the suburbs and Downtown. Toronto's Downtown has a total office space inventory of 63 million square feet. The overall office vacancy at year end 2008 was 3.8% for all classes, down from 4.5% at the end of 2007.

Vacancy in Class AA and A markets in the financial core, where 90% of our buildings are located, was 3.6% for the fourth quarter of 2008, compared to 4.7% at the end of 2007. Our vacancy in this market was 2.5% at the end of 2008.

From 2007 to 2008 vacancy rates, absorption, rental and sublet rates have all favoured the landlord. The momentum appears ready to change as we enter a global recession, to what extent remains to be seen. Vacancy, absorption and rental rates will mostly be affected by new supply coming to the Downtown market in the fourth quarter of 2009. We anticipate that sublet availability will start to grow immediately and continue upward for most of 2009. The extent of growth in sublet space will be subject to the level of confidence business leaders have in the economy.

BPO Properties Direct

Property	Total Area (000's Sq.Ft.)	Form and Percentage of Ownership	Description
22 Front Street	144	100% fee interest in 22 Front Street	This retail, heritage, office and parking complex is located between the TD Canada Trust and Bay Wellington Towers and encompasses the office space in the historic and entertainment portion of Brookfield Place. Brookfield Place includes retail on the concourse and main street levels, as well as 1,465 below-grade parking stalls serving Brookfield Place complex and the Downtown district.
The Exchange Tower Block			The Exchange Tower Block consists of two office towers including the Exchange Tower and 105 Adelaide, and the retail and parking components of the complex.
Exchange Tower	1,160	50% leasehold interest in the North parcel (containing a 3-story building) and a 50% freehold and leasehold interest in the South Parcel (which includes the Exchange Tower). The remaining 50% leasehold and freehold interests are held by TTC Pension Fund (25%) and Hospitals of Ontario Pension Fund (25%).	Exchange Tower is located in Toronto's financial core at the corner of York and King Streets. The office property is integrated with the Toronto financial core and the underground pedestrian network as a component of the Exchange Tower Block. The building was built in 1981 and renovated in 1999.

Property	Total Area (000's Sq.Ft.)	Form and Percentage of Ownership	Description
105 Adelaide Street West	232	100% leasehold interest and a 25% fee interest in the Canadian Office Fund's 50% interest. The other 50% freehold interest is owned by a Canadian life insurance company	105 Adelaide Street West, also known as Lombard Place, is a 12-story office property located in the financial core between the Exchange Tower and First Canadian Place. This class 'A' building was built in 1962 and completely renovated in 1990.
Hudson's Bay Centre	1,092	100% leasehold interest and 100% fee interest in certain components.	The Hudson's Bay Centre comprises an office tower at 2 Bloor Street East, the Bay department store and an extensive retail concourse with a variety of shops and services. Built in 1973 and renovated in 2001, the building is directly above the intersection of two subway lines at the corner of Yonge and Bloor Streets and in close proximity to the Don Valley Expressway, the Hudson's Bay Centre offers excellent accessibility.
Queen's Quay Terminal	504	100% fee interest.	Built in 1926 and renovated in 1983, Queen's Quay Terminal is located in the waterfront in Downtown Toronto's financial district. The property also contains condominium units which are owned freehold by other parties.
HSBC Building	225	100% fee interest in 1/3 of the property and a 100% leasehold interest in 2/3 of the property. The other freehold owner is a private investor.	The HSBC Building is located in Toronto's financial core at the corner of Wellington and York Streets. The project is a 17-story office tower completed in 1990 and is integrated with the Toronto financial core and underground pedestrian network.

Canadian Office Fund

Property	Total Area (000's Sq.Ft.)	Ownership Structure	Description
First Canadian Place	2,781	50% fee interest. The other 50% interest owner is a Canadian life insurance company.	Located in Downtown Toronto, First Canadian Place is a complex consisting of office, banking, shopping complex and parking. With 72-stories, the office tower has remained unchallenged as the tallest office building in Canada since it was constructed in 1975.
2 Queen St. E.	545	100% fee and leasehold interest.	2 Queen Street East is situated in Toronto's financial core and built in 2003, the building is the city's newest Downtown office tower. The property's unique design incorporates a historic 1910 bank branch. The property provides a direct connection to the city's underground pedestrian walkway and is integrated with the Queen Street subway station.
151 Yonge St.	371	100% fee interest.	The Yonge Richmond Centre is situated in Toronto's financial core. The building was built in 1991 and renovated in 1998. The property provides a direct connection to the city's underground pedestrian walkway and is connected to 2 Queen Street East to the north as well as the Queen Street subway station.

Calgary, Alberta

At the end of 2008, our office properties, located centrally in Downtown Calgary, accounted for approximately 6.7 million square feet of a total Downtown office market inventory of approximately 34 million square feet. The Downtown Calgary market is largely driven by the oil and natural gas industries. Though Calgary is the fifth largest city in Canada, it has the second highest number of head offices in the country, second only to Toronto. The overall office vacancy at year end 2008 was 4.5% for all classes, up from 3.2% at the end of 2007.

Vacancy in the Class AA and A markets for headlease space at the end of 2008 was 1.1% compared to 1.9% at the end of 2007. Our vacancy in this market was 0.1% at the end of 2008.

Despite the slight increase in overall vacancy levels, Alberta's economy continues to be driven by the resource sector. The strength in the oil and gas segment has led to expected real gross domestic product growth rate of 1.2% for 2008, significantly higher than the national average of 0.7%.

BPO Properties Direct

Property	Total Area (000's Sq.Ft.)	Form and Percentage of Ownership	Description
Bankers Hall	2,693	50% fee interest. The remaining 50% interest is owned by BCIMC.	Built in 1988, the Bankers Hall complex is comprised of three towers: East Tower, West Tower and the Royal Bank Building. The East and West Towers and twin 52-story office towers sitting above a 7-story office/retail podium that integrates the historic Hollingsworth Building and the adjacent 26-story Royal Bank Building.
Petro-Canada Centre	1,952	50% fee interest. The remaining 50% interest is owned by ARCI Ltd.	Petro-Canada Centre consists of a two-tower office-retail complex and underground parking garage. The office towers are 52-story west tower and the 32-story east tower. The property is located in the Calgary Central Business District ("CBD") and is connected to the above-ground pedestrian walkway system. The property was constructed in 1983 and is one of the top three office complexes in Calgary.
Fifth Avenue Place	1,681	50% fee interest. The remaining 50% interest is owned by Alberta Investment Management ("AIMCO")	Fifth Avenue Place is comprised of two 35-story office towers. Fifth Avenue Place, which is connected to the above-ground pedestrian walkway system, was completed in 1981, and since acquisition has undergone a substantial capital investment program.

Canadian Office Fund

Property	Total Area (000's Sq.Ft.)	Ownership Structure	Description
Altius Centre	378	100% fee interest.	Altius Centre is situated in the heart of Downtown Calgary. The property is a single tower, 31-story office building, directly connected to the city's above-ground walkway system. The building was built in 1973 and renovated in 1991.

Ottawa, Ontario

Ottawa is Canada's national capital. Ottawa's competitive office market (excluding office buildings owned by the federal government) consists of approximately 36 million square feet. Ottawa's office market consists of approximately 14.3 million square feet of competitive space in all classes. The overall office vacancy rate in the CBD was 1.9% at year end 2008, down 4.2% from a year earlier.

Class A vacancy in the CBD at the end of 2008 was 1.9% compared with 3.3% at the end of 2007. The decrease in Class A vacancy was due to leasing activity in the public and private sectors. Ottawa's overall absorption in competitive buildings totaled 322,869 square feet in 2008. Our Ottawa portfolio had a vacancy rate at the end of 2008 of 0.5%.

We believe that the federal government and its agencies continued to be the major consumer of office space in the CBD accounting for a vast majority of the absorption in 2008. The strong demand by the federal government is forecast to continue for the foreseeable future.

Canadian Office Fund

Property	Total Area (000's Sq.Ft.)	Ownership Structure	Description
Place de Ville I	1,089	100% leasehold interest.	Place de Ville I is located in the western portion of Ottawa's Downtown core in the block bounded by Albert Street, Kent Street, Queen Street and Lyon Street. Built in 1974 and renovated in 1994, the property is comprised of two towers (A and B), situated at right angles to each other.
Place de Ville II	1,043	100% fee interest.	Place de Ville II is located in the western portion of Ottawa's Downtown core in the block bounded by Sparks Street, Kent Street, Queen Street and Lyon Street. It is comprised of Tower C, a 29-story building, the Podium, a smaller 4-story building, a below grade retail service concourse which includes office space, retail outlets, a food court, storage space and, a four-level underground parking facility with 770 parking stalls and storage facilities. The building was built in 1971 and renovated in 1995.
Jean Edmonds Towers	648	100% fee interest.	Jean Edmonds Towers is located in the western portion of Ottawa's Downtown core in the block bounded by Slater Street, Kent Street, Laurier Avenue West and Bank Street. Built in 1974 and renovated in 1994, the property is comprised of two 20-story buildings linked at ground level by a 1-story building which serves as a restaurant. The remaining ground floor premises, situated in the towers themselves, offer retail services.

Edmonton, Alberta

Total office vacancy in Edmonton was approximately 5.6% for all classes of space at the end of 2008 compared with 4.1% at the end of 2007. Our vacancy in this market was 0.1% at the end of 2008.

The population of metropolitan Edmonton exceeds one million and continues to grow at a rapid pace. Also growing strongly is the city's employment rate, which has increased steadily since 1994. At the end of December 2008, Edmonton's unemployment rate was the lowest of all Canadian cities at 3.6%, down 0.3% compared to December 2007.

Canadian Office Fund

Property	Total Area (000's Sq.Ft.)	Ownership Structure	Description
Canadian Western Bank Place	498	100% fee interest.	Canadian Western Bank Place is a 30-story office tower, located at the intersection of Edmonton's downtown financial and government districts. Built in 1980 and renovated in 1999, the building has an exterior sheath of anodized aluminum panels and solar glass and distinctive double setback corners which make a bold architectural statement.
Enbridge Tower	214	100% fee interest.	Enbridge Tower, situated on the southwest corner of Jasper Avenue and 102 Street, was built in 1981. The building is characterized by its eight-story atrium lobby and its 38.5 degree sloped metal roof.

Vancouver, British Columbia

The Province of British Columbia continues to experience a healthy job market with the December 2008 unemployment rate at 5.3%, lower than the national average of 6.6% and an increase of 1.1% from the previous year. The Greater Vancouver Region, which is home to over half of the province's population is also experiencing a healthy job market with an unemployment rate of 4.3%.

The overall office vacancy at year end 2008 was 4.6% for all classes, up from 3.5% at the end of 2007. Our vacancy in this market was 3.1% at the end of 2008.

BPO Properties Direct

Property	Total Area (000's Sq.Ft.)	Form and Percentage of Ownership	Description
Royal Centre	853	100% fee interest.	Royal Centre is a Class A office building located in the prime CBD of Downtown Vancouver that was most recently renovated in 2001. This 36-story building is adjacent to the Vancouver Hyatt Regency Hotel. Located on the corner of Georgia and Burrard, Royal Centre is conveniently situated within the business and retail amenities of Downtown Vancouver. The property has two retail levels with shops and services with direct access to the Burrard Skytrain station, in addition to parking for 688 vehicles in a three-level underground parking garage.

EMPLOYEES

BPO Properties has no employees. See “Interest of Management and Others in Material Transactions” for a description of the management services provided by Brookfield Properties.

COMPANY AND REAL ESTATE INDUSTRY RISKS

Our strategy is to invest in high-quality commercial properties defined by the certainty of receiving rental payments generated by the tenants of those assets. However, we remain exposed to certain risks specific to our portfolio and those inherent in the commercial property business.

Therefore, in evaluating BPO Properties and our business, the following challenges, uncertainties and risks should be considered in addition to the other information contained in this AIF.

If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions, slower growth through the fourth quarter of 2008 and recession in the Canadian economy continuing into 2009. Continued concerns about the systemic impact of inflation, the availability and cost of credit, declining real estate market, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the global economy. In the fourth quarter of 2008, added concerns fueled by the failure of several large financial institutions and government interventions in the credit markets led to increased market uncertainty and instability in the capital and credit markets. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.

As a result of these market conditions, the cost and availability of credit have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to businesses and consumers. While we currently believe that we have sufficient working capital and capacity under our credit facilities in the near term, continued turbulence in the global markets and economies and prolonged declines in business and consumer spending may adversely affect our liquidity and financial condition, as well as the liquidity and financial condition of our tenants. If these market conditions persist in the long term, they may limit our ability, and the ability of our tenants, to timely replace maturing liabilities, and access the credit markets to meet liquidity needs.

Until the financial and real estate markets stabilize, we have limited our capital deployment activities to situations where we are fulfilling existing commitments. There can be no assurance that the markets will stabilize in the near future or that we will choose to or be able to increase our levels of capital deployment at such time or ever. In addition, a continued increase in the cost of credit and inability to access the capital and credit markets may adversely impact the occupancy of our properties, the disposition of our properties and private capital raising. Additionally, business layoffs, downsizing, industry slowdowns and other similar factors that affect our tenants may adversely push direct and sublease availabilities up and associated rents and other fundamentals down. Furthermore, general uncertainty in the real estate markets has resulted in conditions where the pricing of certain real estate assets may be difficult due to uncertainty with respect to capitalization rates and valuations which may adversely impact our net asset value. In addition, we may face difficulty in refinancing our mortgage debt, or may be unable to refinance such debt at all, if our property values significantly decline.

In the event that we do not have sufficient cash available to us through our operations to continue operating our business as usual, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, divesting ourselves of properties, whether or not they otherwise meet our strategic objectives to keep in the long term, at less than optimal terms; issuing and selling our debt and equity in public or private transactions under less than optimal conditions; entering into leases with tenants at lower rental rates or less than optimal terms; or entering into lease renewals with our existing tenants without an increase in rental rates at turnover. There can be no assurance, however, that such alternative ways to increase our liquidity will be available to us. Additionally, taking such measures to increase our liquidity may adversely affect our business, financial condition and results of operations.

Our economic performance and the value of our real estate assets are subject to the risks incidental to the ownership and operation of real estate properties.

Our economic performance, the value of our real estate assets and, therefore, the value of shareholders' investments are subject to the risks normally associated with the ownership and operation of real estate properties, including but not limited to: downturns and trends in the national, regional and local economic conditions where our properties are located; the cyclical nature of the real estate industry; local conditions such as an oversupply of office properties, including space available by sublease, or a reduction in demand for high rise and other office properties; changes in interest rates and the availability of financing; competition from other properties; changes in market rental rates and our ability to rent space on favorable terms; the bankruptcy, insolvency, credit deterioration or other default of our tenants; the need to periodically renovate, repair and re-lease space and the costs thereof; increases in maintenance, insurance and operating costs; civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; the attractiveness of our properties to tenants; and certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges that must be made regardless of whether or not a property is producing sufficient income to service these expenses. In addition, leases with the Canadian federal government are on a semi-gross basis whereby deemed operating costs are increased or decreased annually based on changes in the consumer price index. Actual increases or decreases in operating costs may vary significantly from the amounts recoverable on account thereof in these leases.

We are dependent upon the economic climates of our primary markets –Toronto, Calgary and Ottawa.

Substantially all of our revenues are derived from properties located in our primary markets –Toronto, Calgary and Ottawa. A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economy may have upon these markets, could result in reduced demand for office space. Because our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio), a decrease in demand for office space in turn could adversely affect our results from operations. Additionally, there are submarkets within our primary markets that are dependent upon a limited number of industries and a significant downturn in one or more of these industries could also adversely affect our results from operations.

We face risks associated with the use of debt to finance our business, including refinancing risk.

We incur debt in the ordinary course of our business and therefore are subject to the risks associated with debt financing. These risks, including the following, may adversely affect our financial condition and results of operations: our cash flow may be insufficient to meet required payments of principal and interest; payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses; we may not be able to refinance indebtedness on our properties at maturity due to company and market factors including: the current disruptions in the capital and credit markets; the estimated cash flow of our properties; the value of our properties; financial, competitive, business and other factors, including factors beyond our control; and if refinanced, the terms of a refinancing may not be as favorable as the original terms of the related indebtedness.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to dispose of one or more of our properties upon disadvantageous terms; prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we mortgage property to secure payment of indebtedness and are unable to make mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of our rents and leases. This may adversely affect our ability to make distributions or payments to our investors and lenders.

If we are unable to manage our interest rate risk effectively, our cash flows and operating results may suffer.

Advances under unsecured credit facilities and certain property-level mortgage debt bear interest at a variable rate. Approximately 37% of our total outstanding indebtedness of \$1,255.3 million at December 31, 2008 was variable rate indebtedness. We may incur indebtedness in the future that also bears interest at a variable rate or we may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipated based upon historical trends could adversely affect our cash flows.

We face potential adverse effects from tenant defaults, bankruptcies or insolvencies.

A tenant may experience a downturn in its business, which could cause the loss of that tenant or weaken its financial condition and result in the tenant's inability to make rental payments when due or, for retail tenants, a reduction in percentage rent payable. If a tenant defaults, we may experience delays and incur costs in enforcing our rights as landlord and protecting our investments.

In the current economic environment, it is likely that tenant bankruptcies will increase. We cannot evict a tenant solely because of its bankruptcy. A court, however, may authorize a tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less

than the remaining rent owed under the lease. In any event, it is unlikely that a bankrupt tenant will pay in full amounts it owes us under a lease. The loss of rental payments from tenants and costs of re-leasing could adversely affect our cash flows and operating results. In the event of a significant number of lease defaults and/or tenant bankruptcies, our cash flow may not be sufficient to pay cash dividends to our stockholders and repay maturing debt and any other obligations.

Reliance on major tenants could adversely affect our results of operations.

As of December 31, 2008, the five largest tenants, based on percentage of square feet leased, accounted for approximately 35.6% of our total leaseable space and no one tenant accounted for more than 12.8% of that total. Our business would be adversely affected if any of these tenants failed to renew certain of their significant leases, became insolvent, declared bankruptcy or otherwise refused to pay rent in a timely fashion or at all.

Our tenant base is concentrated heavily in three industries and unfavourable conditions in these industries may adversely impact our financial condition and results of operations.

Our tenant base is concentrated heavily in three industries, namely, financial services, government and oil and gas. As a result, our financial condition and results of operations would be adversely affected if there was a prolonged downturn in these industries, or if the impact of downturn in the overall national economy of Canada affected these industries and resulted in reduced demand for office space.

Our inability to enter into renewal or new leases on favorable terms for all or a substantial portion of space that is subject to expiring leases would adversely affect our cash flows and operating results.

Our income-producing properties generate revenue through rental payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favorable to us than the existing lease. We could be adversely affected, in particular, if any major tenant ceases to be a tenant and cannot be replaced on similar or better terms. Scheduled lease expirations in our portfolio over the next five years average approximately 9.3% annually, the majority of which is in 2013.

Our insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates, which could adversely affect our financial condition and results of operations.

We carry various insurance coverages that provide comprehensive protection for first party and third party losses to our properties. These coverages contain policy specifications, limits and deductibles customarily carried for similar properties. We also self insure a portion of certain of these risks. We believe all of our properties are adequately insured.

We purchase stand-alone terrorism insurance which covers terrorist acts up to \$1 billion per occurrence and in the aggregate. We consider this amount to be commercially reasonable, considering the availability and cost of such coverage. As our policies renew throughout the year, we will continue to monitor the insurance market so as to avail our self of the most comprehensive coverage on the most economically reasonable basis.

There are certain types of risks (generally of a catastrophic nature such as war or environmental contamination such as toxic mold) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

If we are unable to recover from a business disruption on a timely basis our financial condition and results of operations would be adversely affected.

Our business is vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. If we are unable to recover from a business disruption on a timely basis, our financial condition and results of operations would be adversely affected. We may also incur additional costs to remedy damages caused by such disruptions.

We are dependent on our management personnel.

Our management team has a significant role in our success. Our lack of a mature human capital strategy to address retention, development of talent and training may impede our ability to retain personnel or to attract suitable replacements should any members of the management group leave. The loss of services from members of the management group or a limitation in their availability could adversely affect our operations because of diminished relationships with lenders, prospective tenants and industry personnel.

We may be unable to complete development and redevelopment projects at all or on advantageous terms.

On a strategic and selective basis, we may develop and redevelop properties. The real estate development and redevelopment business involves significant risks that could adversely affect our business, financial condition and results of operations, including: we may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties; we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations; we may not be able to lease properties at all or on favorable terms; construction costs, total investment amounts and our share of remaining funding may exceed our estimates and projects may not be completed and delivered as planned; and upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we have financed through construction loans.

Because real estate investments are illiquid, we may not be able to sell properties when appropriate.

Large and high quality office properties like the ones that we own can be hard to sell, especially if local market conditions continue to be poor. Such illiquidity could limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity, such as in the current economy. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations.

We have no corporate limitation on the amount of debt we can incur.

Our management and Board of Directors have discretion under our articles of incorporation and bylaws to increase the amount of our outstanding debt. Our decisions with regard to the incurrence and maintenance of debt are based on available investment opportunities for which capital is required, the cost of debt in relation to such investment opportunities, whether secured or unsecured debt is available, the effect of additional debt on existing financial ratios and the maturity of the proposed new debt relative to maturities of existing debt. In particular, we could become more highly leveraged, resulting in increased debt service costs that could adversely affect our cash flows and operating results.

Our competitors may adversely affect our ability to lease our properties, which may cause our cash flows and operating results to suffer.

Each segment of the real estate business is competitive. Numerous other developers, managers and owners of office properties compete with us in seeking tenants and management revenues. Although it is our strategy to own premier office properties in each market in which we operate, some of the office properties of our competitors may be newer, better located or better capitalized. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to make space available at lower prices than the space in our properties, particularly if there is an oversupply of space available in the market. Competition for tenants could have an adverse effect on our ability to lease our properties and on the rents that we may charge or concessions that we must grant. If our competitors adversely impact our ability to lease our properties, our cash flows and operating results may suffer.

We do not have sole control over the properties that we own with co-venturers, partners, fund investors or co-tenants or over the revenues and certain decisions associated with those properties, which may limit our flexibility with respect to these investments

We participate in joint ventures, partnerships, co-tenancies and funds affecting 20 of our properties. The properties that we own through joint ventures, partnerships and co-tenancies total approximately 15 million square feet, out of our total portfolio of approximately 18.1 million square feet. Investments in partnerships, joint ventures, co-tenancies or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners, co-venturers or co-tenants might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals. In addition, we do not have sole control of certain major decisions relating to these properties, including decisions relating to: the sale of the properties; refinancing; timing and amount of distributions of cash from such properties; and capital improvements.

In some instances, although we are the property manager for a joint venture, the joint ventures retain joint approval rights over various material matters such as the budget for the property, specific leases and our leasing plan. Moreover, in some of our property management arrangements the other venturer can terminate the property management agreement in limited circumstances relating to enforcement of the property managers' obligations. In addition, the sale or transfer of interests in some of our joint ventures and partnerships is subject to rights of first refusal or first offer and some joint venture and partnership agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but may be forced to do so because we may not have the financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell our interest in a property or a joint venture or partnership within our desired time frame or on any other desired basis.

We face risks associated with property acquisitions.

Assuming we are able to obtain capital on commercially reasonable terms, and that market conditions warrant it, we may acquire new office properties. Competition from other well-capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds, may significantly increase the purchase price or prevent us from acquiring a desired property. We may be unable to finance acquisitions on favorable terms, or newly acquired properties may fail to perform as expected. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position or may be unable to quickly and efficiently integrate new acquisitions into our existing operations. We may also acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. Each of these factors could have an adverse effect on our results of operations and financial condition.

The expiration of long-term ground leases could adversely affect our results of operations.

Nine of our properties are subject to long-term ground leases and similar arrangements in which the underlying land is owned by a third party and leased to us and any co-venturers or partners. In addition, the ground leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments. Under the terms of a typical ground lease, we and any co-venturers or partners pay rent for the use of the land and are generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land together with all improvements will revert to the owner of the land upon the expiration of the lease term. An event of default by us under the terms of a ground lease could also result in a loss of the property subject to such ground lease should the default not be rectified in a reasonable period of time. If possible, we may attempt to purchase these leases as they become available, but cannot be assured of this. The following is a summary of our ground leases:

Building	City	Expiration	Notes
105 Adelaide Street West	Toronto	2043 ⁽¹⁾	We own a 100% leasehold interest and a 25% interest in the ground lessor which holds a 50% freehold interest.
First Canadian Place	Toronto	2023	We own a 25% interest in the ground lessor which holds a 50% freehold interest. We also own a 25% interest in the ground lessee which holds a 100% leasehold interest.
Place de Ville I	Ottawa	2065	There are two ground leases for this property.
Hudson's Bay Centre	Toronto	2070, 2011	There are two ground leases for this property.
HSBC Building (70 York Street)	Toronto	2083	Ground lease only covers a portion of the property
2 Queen Street East	Toronto	2099	Only a small portion of this property is subject to the ground lease (0.15 acres of 0.99 acres). We own a 25% leasehold interest in the leasehold parcel and a 25% interest in the freehold parcel.
Bankers Hall	Calgary	2101	We own a 50% interest in the ground lease.
Royal Bank Building	Calgary	2101	We own a 50% interest in the ground lessor.
Exchange Tower	Toronto	2891, 2115, 2232	There are three ground leases for this property. We own a 50% interest in the ground lessor of a portion of the property.

(1) Ground lessee has the option to extend the ground lease for an additional 30 years to 2073.

We are subject to possible environmental liabilities and other possible liabilities.

As an owner and manager of real property, we are subject to various federal, provincial and municipal laws relating to environmental matters. These laws could hold us liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our real estate or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against us. We are not aware of any material non-compliance with environmental laws at any of our properties. We are also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any material pending or threatened claims relating to environmental conditions at our properties. We have made and will continue to make the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operations.

Asbestos-containing material (“ACM”) is known to be present at a limited number of our properties. We are also aware of the presence of polychlorinated biphenyls (“PCBs”) in transformers at certain of our properties and in storage containers in specified areas at certain properties. We believe that we manage and require the removal of ACMs and PCBs in accordance with applicable laws and that, if such laws do not become materially more stringent, the future costs of ACM abatement or ACM and PCB removal and containment will not be material to our financial position.

Provincial regulations under building codes and provincial human rights codes generally require that public buildings, including office buildings, be made accessible to disabled persons. Non-compliance could result in the imposition of fines by the government or the award of damages to private litigants. If we are required to make substantial alterations and capital expenditures in one or more of our properties it could adversely affect our financial condition and results of operations

We may also incur significant costs complying with other regulations. Our properties are subject to various federal, provincial and local regulatory requirements, such as provincial and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We believe that our properties are currently in material compliance with all of these regulatory requirements. However, we do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results from operations.

DIVIDENDS AND DIVIDEND POLICY

The declaration and payment of dividends on BPO Properties' Common Shares are at the discretion of the Board of Directors, which supports a stable and consistent dividend policy. BPO Properties implemented a quarterly dividend in August 2003 and continues to pay dividends on its Common Shares. It is the intention of the Corporation to continue to review the pay-out of dividends quarterly on March 31, June 30, September 30 and December 31 of each year and to increase the amount in accordance with increases in reported cashflow. In the first quarter of 2008, we declared a special dividend of \$7.25 per Common Share, totaling approximately \$206.5 million. This special dividend was funded from the Corporation's cash resources.

A complete record of dividends paid on the Common Shares for the past three years is as follows:

	2008	2007	2006
Per Common Share (excluding Special Dividend)	\$0.60	\$0.60	\$0.60
Special Dividend per Common Share	\$7.25	-	-
Total (excluding Special Dividend)	\$17,049,088	\$17,110,314	\$17,115,578
Total Special Dividend	\$206,501,867	-	-
Total	\$223,550,955	\$17,110,314	\$17,115,578

BPO Properties continues to pay dividends on its Preferred Shares quarterly. A complete record of cash dividends paid on all classes of Preferred Shares for the past three years is as follows:

Authorized	Outstanding	Series	2008		2007		2006	
			Per Share	Total	Per Share	Total	Per Share	Total
4,000,000	1,805,489	Series G	\$0.97	\$1,700,136	\$1.05	\$1,903,276	\$0.92	\$1,655,328
8,000,000	3,816,527	Series J	\$0.94	\$3,452,343	\$1.06	\$4,045,014	\$0.95	\$3,640,802
300	300	Series K	\$19,202.33	\$5,633,912	\$24,662.88	\$7,398,862	\$22,194.65	\$6,658,396
4,000,000	2,847,711	Series M	\$0.94	\$2,575,975	\$1.06	\$3,018,198	\$0.95	\$2,715,593
2,000,000	800,000	Series N	\$0.96	\$751,188	\$1.23	\$986,516	\$1.11	\$887,786
				\$14,113,554		\$17,351,867		\$15,558,905

DESCRIPTION OF CAPITAL STRUCTURE

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

There are currently five authorized classes of shares of the Corporation, as follows:

- (i) Preferred Shares – unlimited authorized, issuable in series:
 - 4,000,000 Series G Preferred Shares authorized, of which 1,805,489 are issued and outstanding;
 - 8,000,000 Series J Preferred Shares authorized, of which 3,816,527 are issued and outstanding;
 - 300 Series K Preferred Shares authorized, of which 300 are issued and outstanding;
 - 4,000,000 Series M Preferred Shares authorized, of which 2,847,711 are issued and outstanding; and
 - 2,000,000 Series N Preferred Shares authorized, of which 800,000 are issued and outstanding;
- (ii) Senior Preferred Shares – 890,429 authorized, 0 issued and outstanding;
- (iii) Priority Preferred Shares – unlimited authorized, 0 issued and outstanding;
- (iv) Common Shares – unlimited authorized, 6,654,211 issued and outstanding; and
- (v) Non-Voting Equity Shares – unlimited authorized, 21,678,532 issued and outstanding.

Appendix B contains a summary of the material rights, privileges, restrictions and conditions attached to our Preferred Shares, Senior Preferred Shares and Priority Preferred Shares, in each case as a class, and attached to the various issued and outstanding series thereof, as well as the material rights, privileges, restrictions and conditions attached to our Common Shares and Non-Voting Equity Shares. The summary is qualified in its entirety by the full text of such attributes contained in the articles of the Corporation, which are available on the Corporation's website at www.bpoproperties.com and on SEDAR at www.sedar.com.

RATINGS

BPO Properties is currently rated by two agencies. The following table shows the ratings issued by the rating agencies noted therein as of the date of this AIF:

	Standard & Poor's Rating Service ("S&P")	DBRS
Corporate rating	BBB-	BBB
Preferred shares	P-3	Pfd-3

S&P's corporate credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the S&P rating system, an entity rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the entity to meet its financial commitments. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

S&P's preferred share ratings are on a rating scale that ranges from P-1 to D, which represents the range from highest to lowest quality of such securities rated. According to the S&P rating system, a preferred share rated P-3 is less vulnerable in the near term than other lower-rated securities. However, it faces uncertainties and exposure to adverse business, financial or economic conditions, which could render the entity unable to meet its financial commitments. The ratings from P-1 to P-5 may be modified by the addition of a (high), (mid) or (low) modifier to show relative standing within the major rating categories.

DBRS' corporate credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the DBRS rating system, an entity rated "BBB" is of adequate credit quality. Protection of interest and principal is considered adequate, but the entity is more susceptible to adverse changes in financial and economic conditions, or there may be other adversities present which reduce the strength of the entity. The ratings from AA to CCC may be modified by the addition of a (high) or (low) modifier to show relative standing within the major rating categories.

DBRS' preferred share ratings are on a rating scale that ranges from Pfd-1 to D, which represents the range from highest to lowest quality of such securities rated. According to the DBRS rating system, a preferred share rated "Pfd-3" is of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adversities present which detract from debt protection. The ratings from Pfd-2 to Pfd-5 may be modified by the addition of a (high) or (low) modifier to show relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the Corporation's outstanding securities by S&P and DBRS are not recommendations to purchase, hold or sell such securities in as much as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the ratings will remain in effect for any given period or that a rating will not be revised or withdrawn entirely by S&P or DBRS in the future if, in its judgment, circumstances so warrant.

MARKET FOR SECURITIES

The Common Shares of BPO Properties are listed on the TSX under the symbol "BPP" BPO Properties' Preferred Shares, Series G, J and M are listed on the TSX under the symbols "BPP.PR.G", "BPP.PR.J" and "BPP.PR.M". BPO Properties' Preferred Shares, Series K and N are not listed on an exchange.

The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's Common Shares as reported by the TSX from January 2008 to December 2008:

Month	Price (\$)		Volume
	High	Low	
January	61.00	52.01	36,073
February	60.50	51.99	20,067
March	58.75	55.00	25,122
April	64.00	57.25	37,835
May	65.75	53.00	56,442
June	56.90	51.50	91,298
July	52.49	49.50	101,696
August	52.25	50.01	157,506
September	52.90	44.01	20,660
October	48.00	20.20	132,032
November	30.00	20.99	152,122
December	24.00	18.00	116,865

The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's Preferred Shares, Series G (BPP.PR.G) as reported by the TSX from January 2008 to December 2008:

Month	Price (\$)		Volume
	High	Low	
January	23.25	22.00	4,750
February	21.45	19.00	2,900
March	20.25	19.75	5,075
April	20.26	20.10	2,900
May	21.20	20.15	9,800
June	22.00	20.00	20,650
July	19.50	19.00	650
August	19.00	18.10	1,400
September	18.50	16.00	1,900
October	16.00	15.99	39,050
November	14.50	14.00	1,100
December	14.00	7.00	31,200

The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's Preferred Shares, Series J (BPP.PR.J) as reported by the TSX from January 2008 to December 2008:

Month	Price (\$)		Volume
	High	Low	
January	22.00	20.00	2,210
February	20.25	20.00	2,200
March	20.40	19.25	18,100
April	21.00	19.50	12,600
May	21.00	19.80	5,700
June	21.50	20.00	25,850
July	20.00	19.50	900
August	18.50	18.20	400
September	17.75	16.50	1,100
October	15.00	15.00	350
November	15.25	10.35	4,100
December	12.99	8.75	23,600

The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's Preferred Shares, Series M (BPP.PR.M) as reported by the TSX from January 2008 to December 2008:

Month	Price (\$)		Volume
	High	Low	
January	22.75	22.00	300
February	-	-	-
March	20.50	19.00	900
April	20.75	20.74	10,200
May	21.25	21.25	100
June	22.50	20.15	10,362
July	19.75	19.75	400
August	-	-	-
September	-	-	-
October	16.99	16.99	137,399
November	15.75	15.75	300
December	14.00	11.50	700

DIRECTORS AND OFFICERS

The names, principal occupations and municipalities of residence of the directors and officers of BPO Properties, as well as the year each director first became a director are set out below. Each director is appointed to serve until the next annual meeting of BPO Properties or until his or her successor is elected or appointed.

DIRECTORS

Name, municipality of residence	Director Since	Principal Occupation and 5-Year Occupation History
RICHARD B. CLARK New York, New York	2002	Mr. Clark has been Chief Executive Officer, and a director, of Brookfield Properties since 2002. He was President and Chief Executive Officer of Brookfield Properties' U.S. operations from 2000-2002; and prior to that held senior management positions for Brookfield Properties and its predecessor companies including Chief Operating Officer, Executive Vice President and Director of Leasing. Mr. Clark is currently also Senior Managing Partner and Chief Executive Officer of Brookfield Asset Management Inc.'s global real estate group. Mr. Clark is on the Executive Committee of the National Association of Real Estate Trusts and the Real Estate Board of New York and is the Former Chairman of the Real Estate Roundtable Tax Policy Advisory Committee.
THE HONOURABLE WILLIAM G. DAVIS ⁽¹⁾⁽²⁾ Brampton, Ontario	1998	The Honourable William G. Davis is Counsel at Torys LLP. The Honourable William G. Davis was the Premier of Ontario from 1971 until 1985 and a Member of the Ontario Legislature from 1959 to 1985. He is also a director of several companies, including First American Financial, First American Title Insurance Company, Home Capital Group and Magellan Aerospace.
THOMAS F. FARLEY Calgary, Alberta	2004	Mr. Farley was appointed President and Chief Executive Officer of BPO Properties in February 2004. In addition, Mr. Farley was appointed President and Chief Executive Officer of Canadian Commercial Operations for Brookfield Properties in January 2009 and prior to that he was President and Chief Operating Officer of Canadian Commercial Operations for Brookfield Properties since November 2003. In his current positions, he is responsible for overseeing BPO Properties' and Brookfield Properties' portfolio of office space and development sites in Toronto, Ottawa, Calgary, Edmonton and Vancouver.
ROBERT J. MCGAVIN ⁽¹⁾⁽²⁾ Aurora, Ontario	1999	Mr. McGavin is a Corporate Director.
MICHAEL F. B. NESBITT ⁽¹⁾⁽²⁾ Winnipeg, Manitoba	2000	Mr. Nesbitt is President of Montrose Mortgage Investment Co. Ltd., an investment company. Mr. Nesbitt currently serves on the board of Morguard Real Estate Investment Trust. and as Chairman of HEPP Investment Committee, the pension plan for healthcare employees in the Province of Manitoba.

(1) Member of the Audit Committee

(2) Member of the Governance and Nominating Committee

OFFICERS

See above for descriptions of Richard B. Clark, Chairman of the Board and Thomas F. Farley, President and Chief Executive Officer.

Name, municipality of residence	Position Held	Occupation History
T. JAN SUCHARDA Toronto, Ontario	Chief Operating Officer	Mr. Sucharda has held his principal occupation since 2006, prior to his appointment as Chief Operating Officer in 2009. Mr. Sucharda was Senior Vice President and Strategic Initiatives with Brookfield Properties since 2006, and prior to that he was Senior Vice President, Investments with Brookfield Properties since October 2005. Prior to that time, he was Senior Vice President, Asset Management at O&Y Properties Corporation and its related entities since 2001.
BRYAN K. DAVIS New York, New York	Senior Vice President and Chief Financial Officer	Mr. Davis has held his present principal occupation since 2007, prior to which he spent four years as Senior Vice President, Finance and one year as a Managing Partner of Brookfield Asset Management Inc. (“BAM”).
STEFAN DEMBINSKI Oakville, Ontario	Senior Vice President, Asset Management, Eastern	Mr. Dembinski has held his principal occupation since 2006. Prior to that time, he was Director of Corporate Strategy with the Bank of Montreal’s Corporate Real Estate Group in Toronto.
IAN D. PARKER Calgary, Alberta	Senior Vice President, Asset Management, Western	Mr. Parker has held his principal occupation since 2005, prior to which he was Vice President, Asset Management, Western since 2000.
DEBORAH R. ROGERS Toronto, Ontario	Senior Vice President, Legal Counsel, Eastern and Secretary	Ms. Rogers has held her principal occupation since 2004 when she was appointed Vice President, Legal and Secretary for BPO Properties and was later appointed Senior Vice President, Legal Counsel, Eastern, in 2006. Prior to joining the Corporation, Ms. Rogers was a partner at WeirFoulds LLP.
RYK STRYLAND Toronto, Ontario	Senior Vice President, Development	Mr. Stryland has held his principal occupation since 2006. Prior to that time, he was Senior Vice President, Investments with Redcliff Realty Advisors Inc. in Toronto.
T. NGA TRINH Toronto, Ontario	Senior Vice President, Investments	Ms. Trinh has held her present principal occupation since 2007, prior to which she was Senior Vice President and Controller, Canadian Operations from 2005 to 2007, Vice President and Corporate Treasurer in 2005 and Vice President and Corporate Controller with Brookfield Properties from 2002 to 2005.
D. CAMERON BLACK Calgary, Alberta	Vice President, Legal Counsel, Western	Mr. Black has held his principal occupation since 2006, prior to which he was Vice President, Legal Counsel, Western with Brookfield Properties since November 2000.
MELISSA COLEY New York, New York	Vice President, Investor Relations and Communications	Ms. Coley has held her present principal occupation since 2002.
RICKY TANG Toronto, Ontario	Vice President and Controller	Mr. Tang has held his current principal occupation since 2007, prior to which he held various finance positions with Chartwell Seniors Housing REIT, including Associate Vice President and Director of Finance.
ELLIOTT S. FEINTUCH Toronto, Ontario	Associate Counsel	Mr. Feintuch has held his principal occupation since 2006, prior to which he was Associate Counsel with Brookfield Properties since October 2005. Prior to that time, he was Associate Counsel and Assistant Secretary with O&Y Properties Corporation and its related entities since 2002.
BRETT M. FOX New York, New York	Assistant Secretary	Mr. Fox has held his present principal occupation since 2003.
MICHELLE CAMPBELL New York, New York	Assistant Secretary	Ms. Campbell has held her present principal occupation since 2007, prior to which she was an associate at Torys LLP since 2002.

SHARE OWNERSHIP

As at the date hereof, other than through the ownership or management of Brookfield Properties (see the information on page 2 of our Management Proxy Circular dated March 17, 2009 under the heading “Principal Holders of Voting Shares” which is incorporated by reference herein and available on SEDAR at www.sedar.com and on our Web site at www.bpoproperties.com, the directors and senior officers of BPO Properties do not own, directly or indirectly, or exercise control or direction over any Common Shares of the Corporation.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

The Honourable William G. Davis, a director of the Corporation, was a director of Dylex Ltd. (“Dylex”) from 1995 to May 16, 2001. Prior to his appointment, Dylex filed for protection under the provision of the *Companies’ Creditors’ Arrangement Act* (Canada) (the “CCAA”). Dylex emerged from CCAA protection in 1995. On May 16, 2001, following a change of control, Mr. Davis resigned as a director. Following his resignation as a director, Dylex again filed for protection under the CCAA. The proposed reorganization of Dylex under the CCAA was not effected and Dylex became bankrupt in September 2001. Dylex shares ceased trading as a result. The trustee in bankruptcy of Dylex commenced proceedings against the former directors, officers and legal counsel of Dylex, including Mr. Davis, in connection with the change of control transaction. The claim was defended and the matter was settled in January 2006 without admission of liability.

LEGAL PROCEEDINGS

We are occasionally named as a party in various claims and legal proceedings which arise during the normal course of our business. We review each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance as to the resolution of any particular claim we do not believe that the outcome of any claims or potential claims of which we are currently aware will have a material adverse effect on us.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS; MATERIAL CONTRACTS

Except as disclosed below, as of March 17, 2009, no director, senior officer or associate of a director or senior officer nor, to the knowledge of the directors or senior officers of BPO Properties after having made reasonable inquiry, any person or company who beneficially owns, directly or indirectly, voting securities of BPO Properties carrying more than 10% of the voting rights attached to any class of voting securities of BPO Properties outstanding at the date hereof, or any associate or affiliate thereof, had any material interest, direct or indirect, in any material transaction of BPO Properties or its affiliates nor do any such persons have a material interest, direct or indirect, in any proposed transaction of BPO Properties or its affiliates.

There are two Service Support Agreements between Brookfield Properties Management Corporation (“BPMC”), a wholly-owned subsidiary of BPO Properties, and Brookfield Properties Ltd. (“BPL”), a wholly-owned subsidiary of Brookfield Properties: (1) a Services Support Agreement dated October 21, 2005 relating to services provided in connection with the assets of the former O&Y Properties Corporation and O&Y Real Estate Investment Trust (the “O&Y Assets”); and (2) a Services Support Agreement dated January 1, 2006 relating to services provided in connection with the Corporation’s assets, other than the O&Y Assets. Neither agreement has a fixed term, and each state that BPL will provide the necessary personnel and infrastructure to enable BPMC to fulfill its obligations under the property management agreements to which BPMC is a party. BPL provides such personnel and infrastructure on a cost recovery basis. The fees paid under the agreements are on a cost recovery basis and totaled \$13.0 million in 2008 (compared with \$11.4 million in 2007). In addition, the agreements permit both BPL and BPMC to recover costs and expenses on a cost recovery basis. Total cost charged to BPL in 2008 totaled \$0.8 million (compared with \$0.6 million in 2007).

BAM, Brookfield Properties and their affiliates may, from time to time, hold certain indebtedness of BPO Properties and its subsidiaries by way of transactions executed through market intermediaries and under prevailing market terms and conditions at the time of such transactions. Included in loans receivable at December 31, 2008 is a \$125.0 million (compared to \$220.3 million on December 31, 2007) on-demand deposit placed with Brookfield Properties. In two separate transactions during the second quarter of 2008, Brookfield Properties repaid the original \$220.3 million on-demand deposit that was issued in December 2007 and a new \$125.0 million on-demand deposit was placed with Brookfield Properties. Subsequent to the year ended December 31, 2008, the Corporation received the full balance of the loan receivable outstanding from Brookfield Properties in the amount of \$125.0 million. For the year ended December 31, 2008, interest income of \$7.0 million was recorded on these deposits (compared to \$0.2 million in 2007). Included in rental revenues during the year ended December 31, 2008 are amounts received from BAM of \$0.4 million (compared to \$0.4 million in 2007). In addition, BPO Properties has certain arrangements with BAM and its affiliates to acquire insurance in the normal course and at market rates or at cost. These fees are based on a percentage of the annual premiums paid.

BPO Properties has certain arrangements with an affiliate of BAM, the ultimate parent of BPO Properties, and Brookfield Properties to provide various information technology services and with Brookfield Properties to provide various administrative services including accounts payable processing and accounts receivable collection. The costs for these services amounted to \$8.2 million for the year ended December 31, 2008, and are charged to BPO Properties on a cost recovery basis and replaced similar costs that were incurred directly by BPO Properties in the prior year when these services were performed internally.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively “Deloitte & Touche”) are the principal external auditors of the Corporation. Deloitte & Touche are chartered accountants, having an address at Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2V1. Deloitte & Touche has advised that it holds none of the Corporation’s outstanding securities. Deloitte & Touche has advised that it is independent of Brookfield Properties within the meaning of the Rules of Professional Conduct of the Province of Ontario.

The transfer agent and registrar for our Preferred Shares and Common Shares is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

AUDIT COMMITTEE INFORMATION

The Audit Committee is responsible for monitoring the Corporation’s systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Corporation’s external auditors. The committee is also responsible for reviewing the Corporation’s annual audited financial statements, unaudited quarterly financial statements and management’s discussion and analysis of financial results of operations and review of related operations prior to their approval by the full Board of Directors.

The Audit Committee charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board. A copy of the charter is attached hereto as [Appendix C](#).

The Audit Committee is comprised of three directors, all of whom are independent directors and financially literate: Mr. Robert J. McGavin (Chairman), The Honourable William G. Davis and Mr. Michael F.B. Nesbitt.

RELEVANT EDUCATION AND EXPERIENCE

Mr. McGavin acquired significant financial experience and exposure to accounting and financial issues while serving in senior management positions for 20 years in the Canadian banking industry and as a director and as a member of the audit committees of several public and private companies. Mr. McGavin holds a Bachelor’s degree from the University of British Columbia, a Masters degree and a PhD from the University of Washington and an LLD from the University of Toronto.

Mr. Nesbitt acquired significant financial experience and exposure to accounting and financial issues while serving in senior management positions, as an owner and as a director and a member of the audit committee of a public company. Mr. Nesbitt holds a Bachelor of Arts and a Bachelor of Commerce degree from the University of Manitoba.

The Honourable William G. Davis acquired significant financial experience and exposure to accounting and financial issues while serving as Premier of Ontario and as a director of several public and private companies. The Honourable William G. Davis holds a degree Bachelor of Arts from the University of Toronto and a LL.B. from Osgoode Hall Law School.

PRE-APPROVAL POLICIES AND PROCEDURES

BPO Properties maintains a policy regarding the provision of non-audit services by BPO Properties’ external auditors. This policy, which is periodically reviewed and updated, encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditors’ independence and requires Audit Committee pre-approval of permitted audit, audit-related and non-audit services. It also specifies a number of services that are not permitted to be provided by BPO Properties’ external auditors, including services related to financial information systems design and implementation.

EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)

Deloitte & Touche and its predecessors have served as external auditors of the Corporation since 1996. From time to time, Deloitte & Touche also provides us with consulting and other non-audit services. The following table sets forth further information on the fees billed or expected to be billed by Deloitte & Touche to BPO Properties for the fiscal years ended December 31, 2008 and 2007:

Service Performed	2008	2007
Audit Fees	\$310,000	\$230,000
Audit-Related Fees ⁽¹⁾	\$1,097,000	\$1,181,000
Tax Fees	–	–
All Other Fees	–	\$85,000
Total fees	\$1,407,000	\$1,496,000

(1) Included in this amount is \$980,000 (2007 - \$1,020,000) related to audits of joint ventures of which the Corporation's share is \$570,000 (2007 - \$560,000)

Audit fees were for professional services rendered for the audit of BPO Properties' consolidated financial statements as of and for the years ended December 31, 2008 and 2007 and the audit of internal control over financial reporting as of December 31, 2008, quarterly review of the financial statements included in BPO Properties' quarterly reports, consents and comfort letters issued and review of filings with securities commissions.

Audit-related fees consisted of assurance and related services that are reasonably related to the performance of the audit and are not reported under "Audit Fees." Audit-related fees include employee benefit plans, operating cost and escalation, joint venture and lender audits, as well as consultations concerning financial accounting and reporting standards.

The Audit Committee of the Board of Directors has determined that the provision of these services is compatible with the maintenance of the independence of Deloitte & Touche.

ADDITIONAL INFORMATION

Additional information relating to directors' and executive officers' remuneration and indebtedness, the principal holders of our securities, securities authorized for issuance under equity compensation plans and interests of management and others in material transactions, is set out in our Management Proxy Circular dated March 17, 2009. Additional financial information is also provided in the consolidated financial statements in our Annual Report for the year ended December 31, 2008. Our 2008 Annual Report also contains, in pages 6 through 35, the Management's Discussion and Analysis of our financial condition and results of operations for the year ended December 31, 2008.

You may access other information about us, including our disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at www.sedar.com and on our Web site at www.brookfieldproperties.com.

APPENDIX A – COMMERCIAL PROPERTIES BY REGION

COMMERCIAL PROPERTY	NUMBER OF		(SQUARE FEET IN 000S)			(SQUARE FEET IN 000S)		BPO	
	PROPERTIES	LEASED %	OFFICE	RETAIL	TOTAL LEASABLE	PARKING	TOTAL AREA	OWNED INTEREST %	OWNED INTEREST ⁽¹⁾
DIRECT									
Toronto									
20-22 Front Street	1	99.2	136	8	144	0	144	100	144
Exchange Tower	1	98.7	963	66	1,029	131	1,160	50	580
105 Adelaide	1	100.0	176	7	183	49	232	100	232
Hudson Bay Centre	1	99.3	536	261	797	295	1,092	100	1,092
Queen's Quay Terminal	1	94.6	429	75	504	0	504	100	504
HSBC Building	1	97.1	188	6	194	31	225	100	225
	6	98.4	2,428	423	2,851	506	3,357		2,777
Calgary									
Bankers Hall	3	100.0	1,944	224	2,168	525	2,693	50	1,347
Petro-Canada Centre	2	100.0	1,708	24	1,732	220	1,952	50	976
Fifth Avenue Place	2	99.9	1,430	45	1,475	206	1,681	50	841
	7	100.0	5,082	293	5,375	951	6,326		3,164
VANCOUVER									
Royal Centre	1	96.9	494	95	589	264	853	100	853
	1	96.9	494	95	589	264	853		853
OTHER									
Other	1	100.0	—	3	3	—	3	100	3
	1	100.0	—	3	3	—	3		3
	15	97.9	8,004	814	8,818	1,721	10,539		6,797
OFFICE FUND									
Toronto									
First Canadian Place	1	96.5	2,379	232	2,611	170	2,781	25	695
151 Yonge Street	1	94.7	289	10	299	72	371	25	93
2 Queen Street East	1	98.6	448	16	464	81	545	25	136
	3	96.7	3,116	258	3,374	323	3,697		924
Calgary									
Altius Centre	1	98.1	303	3	306	72	378	25	95
	1	98.1	303	3	306	72	378		95
Ottawa									
Place de Ville I	2	99.4	569	18	587	502	1,089	25	272
Place de Ville II	2	99.3	591	19	610	433	1,043	25	261
Jean Edmonds Towers	2	100.0	540	13	553	95	648	25	162
	6	99.5	1,700	50	1,750	1,030	2,780		695
Edmonton									
Canadian Western Bank Place	1	99.8	371	36	407	91	498	25	125
Enbridge Tower	1	100.0	179	4	183	30	213	25	53
	2	99.9	550	40	590	121	711		178
	12	97.9	5,669	351	6,020	1,546	7,566		1,892
TOTAL PROPERTIES	27	98.7	13,673	1,165	14,838	3,267	18,105		8,689

⁽¹⁾ Represents the Corporation's consolidated interest before non-controlling interests

APPENDIX B – SUMMARY OF TERMS AND CONDITIONS OF AUTHORIZED SECURITIES

Preferred Shares

Provisions of Preferred Shares

Issue in Series

The Preferred Shares may be issued at any time and from time to time in one or more series. The Board of Directors of the Corporation will fix the number of shares and determine the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of each such series.

Priority

The Preferred Shares rank senior to the Common Shares and all other shares rank junior to the Preferred Shares. The Preferred Shares of each series rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and return of capital. Each series of Preferred Shares may be given such other preferences over the Common Shares and all other shares ranking junior to the Preferred Shares as determined by the Board of Directors of the Corporation.

Dividends

The holders of the Preferred Shares of each series are entitled to receive, if, as and when declared by the Board of Directors, dividends which may be cumulative or non-cumulative.

Priority on Liquidation, Dissolution or Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, before any amount will be paid to, or any assets distributed among, the holders of the Common Shares or shares of the Corporation ranking junior to the Preferred Shares, the holder of a Preferred Share of a series will be entitled to receive, to the extent provided for with respect to such Preferred Share by such series:

- (i) an amount equal to the amount paid up thereon;
- (ii) such premium, if any, as has been provided for with respect to the Preferred Shares of such series; and
- (iii) all unpaid cumulative dividends, if any, on such Preferred Shares and, in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends.

The holders of the Preferred Shares will not be entitled to share in any further distribution of the property or assets of the Corporation.

Creation and Issue of Additional Preferred Shares

Except as provided for in the terms and conditions attaching to the Senior Preferred Shares, the Corporation will not, without the prior approval of the holders of the Preferred Shares as a class given as hereinafter specified:

- (i) create or issue any shares ranking senior in priority to the Preferred Shares; or
- (ii) create or issue any additional series of Preferred Shares or any shares ranking *pari passu* with the Preferred Shares;

unless, in each case, all cumulative dividends up to and including the last completed period for which such cumulative dividends are payable have been declared and paid or set apart for payment and any declared and unpaid non-cumulative dividends have been paid or set apart for payment.

Approval of Preferred Shareholders

The approval of the holders of the Preferred Shares of any matters to be approved may be given by an instrument in writing signed by the holders of all of the issued and outstanding Preferred Shares or by a resolution passed by at least two-thirds of the votes cast at a general meeting of the holders of Preferred Shares duly called for that purpose.

Amendment

Any special resolution to amend the conditions attaching to the Preferred Shares is not effective until it has been confirmed in writing by the holders of not less than all of the Preferred Shares for the time being outstanding or by at least two-thirds of the votes cast at a meeting of the holders of the Preferred Shares duly called for that purpose and at which the holders of

at least 10% of the outstanding Preferred Shares are present in person or represented by proxy. On every poll taken at a meeting of holders of Preferred Shares, every holder of Preferred Shares is entitled to one vote in respect of each \$1.00 of the issue price of each Preferred Share held.

The following is a summary of the specific provisions attaching to each of the Series G, J, K, M and N Preferred Shares of the Corporation, which are issued and outstanding. All terms are defined in the Corporation's articles.

Specific Provisions of the Series G Preferred Shares

Dividends

The holders of the cumulative redeemable preferred shares Series G (the "Series G Preferred Shares") are entitled to receive cumulative preferential cash dividends payable quarterly on the 14th day of each of February, May, August and November in an amount per share per annum equal to the product of \$25.00 and 70% of the "Average Prime Rate" (as defined in the share conditions for the Series G Preferred Shares).

Voting Rights

The holders of the Series G Preferred Shares do not have the right to receive notice of, attend or vote at any meetings of shareholders of the Corporation unless the Corporation has failed to pay in the aggregate eight quarterly dividends on the Series G Preferred Shares. In that event, and so long thereafter as any dividends on the Series G Preferred Shares remain in arrears, the holders of the Series G Preferred Shares are entitled to receive notice of and to attend all meetings of the Corporation's shareholders (other than meetings at which only holders of another specified class or series are entitled to vote), but have no vote thereat. The holders of Preferred Shares will be entitled, voting separately as a class together with all other holders of Preferred Shares and the holders of the outstanding Priority Preferred Shares having such a right, to elect two members of the Board of Directors and for such purpose the holders of the Series G Preferred Shares have one vote for each \$1.00 of the issue price of each Series G Preferred Share held.

Purchase for Cancellation

Subject to applicable law and the provisions described under "Restrictions on Dividends, Retirement and Issue of Shares", the Corporation may at any time purchase for cancellation the whole or any part of the outstanding Series G Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors of the Corporation, such shares are then obtainable but not exceeding \$25.00 per share together with an amount equal to all accrued and unpaid dividends to the date of purchase and costs of purchase.

Redemption at the Option of the Corporation

Subject to applicable law and the provisions described under "Restrictions on Dividends, Retirement and Issue of Shares", the Corporation may redeem the whole or from time to time any part of the then outstanding Series G Preferred Shares at \$25.00 per share plus an amount equal to all accrued and unpaid dividends.

Restrictions on Dividends, Retirement and Issue of Shares

As long as any Series G Preferred Shares are outstanding, the Corporation will not, without the prior approval of the holders of the Series G Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Series G Preferred Shares) on shares of the Corporation ranking as to dividends junior to the Series G Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Series G Preferred Shares, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital junior to the Series G Preferred Shares;
- (c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Series G Preferred Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital *pari passu* with the Series G Preferred Shares; or

- (e) issue any additional Preferred Shares (other than pursuant to the exercise of existing rights to convert outstanding shares into Preferred Shares of an existing series) or any shares ranking as to dividends or capital prior to or *pari passu* with the Preferred Shares;

unless, in each such case, all accrued and unpaid cumulative dividends up to and including the quarterly dividend payable on the immediately preceding dividend payment date will have been declared and paid or set apart for payment on all outstanding Preferred Shares and all other shares ranking as to dividends prior to or *pari passu* with the Series G Preferred Shares.

Liquidation, Dissolution and Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, the holders of the Series G Preferred Shares are entitled to be paid \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment, before any amount will be paid or any assets of the Corporation will be distributed to the holders of any shares ranking as to capital junior to the Series G Preferred Shares. The holders of the Series G Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Amendment

The provisions of the Series G Preferred Shares may be amended, but only with the prior approval of the holders of the Series G Preferred Shares by special resolution, given in accordance with the share provisions for the Series G Preferred Shares, in addition to any vote or authorization required by law.

Specific Provisions of the Series J Preferred Shares

Dividends

The holders of the \$25.00 floating rate cumulative redeemable preferred shares Series J (the “Series J Preferred Shares”) are entitled to receive cumulative dividends payable quarterly on the 14th day of each of February, May, August and November in an amount per share per annum equal to the product of \$25.00 and 70% of the “Average Prime Rate” (as defined in the share conditions for the Series J Preferred Shares).

Voting Rights

The holders of the Series J Preferred Shares are not entitled to receive notice of, attend, or vote at, any meetings of shareholders of the Corporation unless the Corporation has failed to pay in the aggregate eight quarterly dividends on the Series J Preferred Shares. In that event, and so long as any dividends on the Series J Preferred Shares continue to remain in arrears, the holders of the Series J Preferred Shares will be entitled to receive notice of and to attend all meetings of the Corporation’s shareholders (other than the holders of any other class or series of shares held separately as a class or series), but have no vote thereat. The holders of Series J Preferred Shares are entitled, voting separately as a class together with all other holders of Preferred Shares and the holders of the outstanding Priority Preferred Shares having such a right, to elect two members of the Board of Directors and for such purpose the holders of the Series J Preferred Shares will have one vote for each \$1.00 of the issue price of each Series J Preferred Share held.

Purchase for Cancellation

Subject to applicable law and the provisions described under “Restrictions on Dividends, Retirement and Issue of Shares”, the Corporation may at any time or times purchase the whole or any part of the outstanding Series J Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors of the Corporation, such shares are then obtainable but not exceeding \$25.00 per share together with an amount equal to all accrued and unpaid dividends up to the date of purchase and the costs of purchase.

Redemption at the Option of the Corporation

Subject to applicable law and the provisions described under “Restrictions on Dividends, Retirement and Issue of Shares”, the Corporation may, upon giving notice, redeem the whole or from time to time any part of the then outstanding Series J Preferred Shares at \$25.00 per share plus an amount equal to all accrued and unpaid dividends.

Restrictions on Dividends, Retirement and Issue of Shares

As long as any Series J Preferred Shares are outstanding, the Corporation will not, without the prior approval of the holders of the Series J Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Series J Preferred Shares) on shares of the Corporation ranking as to dividends junior to the Series J Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Series J Preferred Shares redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital junior to the Series J Preferred Shares;
- (c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Series J Preferred Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital *pari passu* with the Series J Preferred Shares; or
- (e) issue any additional Preferred Shares (other than pursuant to the exercise of existing rights to convert outstanding shares into Preferred Shares of an existing series) or any shares ranking as to dividends or capital prior to or *pari passu* with the Preferred Shares;

unless, in each such case, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends will be payable, have been declared and paid or set apart for payment and any declared and unpaid non-cumulative dividends that have been paid or set apart for payment on all other shares ranking as to dividends prior to or *pari passu* with the Series J Preferred Shares.

Liquidation, Dissolution and Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, the holders of the Series J Preferred Shares will be entitled to be paid \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment, before any amount will be paid or any assets of the Corporation will be distributed to the holders of shares ranking as to capital junior to the Series J Preferred Shares. The holders of the Series J Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Amendment

The provisions of the Series J Preferred Shares may be amended but only with the prior approval of the holders of the Series J Preferred Shares by special resolution given in accordance with the share provisions of the Series J Preferred Shares, in addition to any vote or authorization required by law.

Specific Provisions of the Series K Preferred Shares

Dividends

The holders of the cumulative redeemable preferred shares Series K (the “Series K Preferred Shares”) are entitled to receive cumulative preferential cash dividends on each Series K Preferred Share, at a rate determined through a monthly auction procedure conducted in accordance with the Series K Preferred Shares share conditions and based upon orders to purchase, hold or sell Series K Preferred Shares placed in monthly auctions by existing holders and potential holders. The maximum dividend rate that will result from any auction is the Bankers’ Acceptance Rate (as defined in the Series K Preferred Shares share conditions) plus 0.40%.

Voting Rights

The holders of the Series K Preferred Shares are not entitled to receive notice of, attend, or vote at, any meetings of shareholders of the Corporation unless the Corporation has failed to pay in the aggregate twenty-four monthly dividends on the Series K Preferred Shares, whether consecutive or not. In that event, and so long as any dividends on the Series K Preferred Shares remain in arrears, the holders of the Series K Preferred Shares will be entitled to receive notice of and to attend all meetings of the Corporation’s shareholders (other than any other class or series held separately as a class or series), but have no vote thereat. The holders of Series K Preferred Shares will be entitled, voting separately as a class together with all other holders of Preferred Shares and the holders of the outstanding Priority Preferred Shares having such a right, to elect two members of the Board of Directors and for such purpose the holders of the Series K Preferred Shares will have one vote for each \$1.00 of the issue price of each Series K Preferred Share held.

Redemption at the Option of the Corporation

The Series K Preferred Shares are redeemable, at the option of the Corporation, in whole or in part from time to time, on the business day next preceding any auction date, upon payment of the redemption price of \$500,000 per Series K Preferred Share and all accrued and unpaid dividends to the date of redemption.

Restrictions on Dividends, Retirement and Issue of Shares

As long as any Series K Preferred Shares are outstanding, the Corporation will not, without the prior approval of the holders of the Series K Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Series K Preferred Shares) on shares of the Corporation ranking as to dividends junior to the Series K Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Series K Preferred Shares, redeem, call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares ranking as to capital junior to the Series K Preferred Shares;
- (c) redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of less than all of the Series K Preferred Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital *pari passu* with the Series K Preferred Shares;
- (e) issue any additional Preferred Shares (other than pursuant to the exercise of existing rights to convert outstanding shares into Preferred Shares of an existing series) or any shares ranking as to dividends or capital prior to or *pari passu* with the Preferred Shares;

unless, in each such case, all accrued and unpaid cumulative dividends up to and including the dividend payable on the immediately preceding dividend payment date have been declared and paid or set apart for payment on the Series K Preferred Shares and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends have been paid or set apart for payment on all outstanding shares ranking as to dividends prior to or *pari passu* with the Series K Preferred Shares.

Liquidation, Dissolution and Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, the holders of the Series K Preferred Shares will be entitled to be paid \$500,000 per share plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment, before any amount will be paid or any assets of the Corporation will be distributed to the holders of shares ranking as to capital junior to the Series K Preferred Shares. The holders of the Series K Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Amendment

The provisions attaching to the Series K Preferred Shares may be amended but only with the prior approval of the holders of the Series K Preferred Shares by special resolution given in accordance with the share provisions of the Series K Preferred Shares, in addition to any vote or authorization required by law.

Specific Provisions of the Series M Preferred Shares

Dividends

The holders of the cumulative redeemable preferred shares Series M (the "Series M Preferred Shares") are entitled to receive cumulative preferential cash dividends payable quarterly on the 14th day of each of February, May, August and November in an amount per share per annum equal to the product of \$25.00 and 70% of the "Average Prime Rate" (as defined in the share conditions for the Series M Preferred Shares).

Voting Rights

The holders of the Series M Preferred Shares do not have the right to receive notice of, attend or vote at, any meetings of shareholders of the Corporation unless the Corporation has failed to pay in the aggregate eight quarterly dividends on the Series M Preferred Shares. In that event, and so long thereafter as any dividends remain in arrears, the holders of the Series M Preferred Shares are entitled to receive notice of and to attend all meetings of the Corporation's shareholders (other than meetings of the holders of any other class or series of shares held separately as a class or series) but have no vote thereat. The holders of Series M Preferred Shares are entitled, voting separately as a class together with all other holders of Preferred Shares and the holders of the outstanding Priority Preferred Shares having such a right, to elect two members of the Board of Directors and for such purpose the holders of the Series M Preferred Shares have one vote for each \$1.00 of the issue price of each Series M Preferred Share held.

Purchase for Cancellation

Subject to applicable law and the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may at any time purchase the whole or any part of the outstanding Series M Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors of the Corporation, such shares are then obtainable but not exceeding \$25.00 per share together with an amount equal to all accrued and unpaid dividends up to the date of purchase and the costs of purchase.

Redemption at the Option of the Corporation

Subject to the terms of any shares of the Corporation ranking prior to the Series M Preferred Shares, the Corporation may, upon giving notice, redeem the whole or from time to time any part of the then outstanding Series M Preferred Shares at \$25.00 per share plus an amount equal to all accrued and unpaid dividends.

Restrictions on Dividends, Retirement and Issue of Shares

As long as any Series M Preferred Shares are outstanding, the Corporation will not, without the prior approval of the holders of the Series M Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series M Preferred Shares) on shares of the Corporation ranking as to dividends junior to the Series M Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series M Preferred Shares, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series M Preferred Shares;
- (c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Series M Preferred Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital *pari passu* with the Series M Preferred Shares;
- (e) issue any additional Preferred Shares (other than pursuant to the exercise of existing rights to convert outstanding shares into Preferred Shares of an existing series) or any shares ranking as to dividends or capital prior to or *pari passu* with the Preferred Shares;

unless, in each such case, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends were payable on the Series M Preferred Shares and any accrued and unpaid cumulative dividends and any declared and unpaid non-cumulative dividends which have become payable on all other shares ranking as to dividends prior to or *pari passu* with the Series M Preferred Shares have been paid or set apart for payment.

Liquidation, Dissolution and Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, the holders of the Series M Preferred Shares will be entitled to be paid \$25.00 per share plus an amount equal to all accrued and unpaid dividends up to but excluding the date of payment, before any amount will be paid or any assets of the Corporation will be distributed to the holders of shares of the

Corporation ranking as to capital junior to the Series M Preferred Shares. The holders of the Series J Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Amendment

The provisions of the Series M Preferred Shares may be amended, but only with the prior approval of the holders of the Series M Preferred Shares given in accordance with the share provisions for the Series M Preferred Shares by special resolution, in addition to any vote or authorization required by law.

Specific Provisions of the Series N Preferred Shares

Dividends

The holders of the cumulative perpetual preferred shares Series N (the “Series N Preferred Shares”) are entitled to receive fixed cumulative preferential cash dividends in an amount equal to the product of \$25.00 and the dividend rate determined by the Corporation in accordance with the share conditions for the Series N Preferred Shares for each period included within a “Dealer Determined Term” (as defined in the share conditions for Series N Preferred Shares).

For each period included within an “Auction Term” (as defined in the share conditions for the Series N Preferred Shares), the dividend to be paid on each Series N Preferred Share is determined as follows:

- (i) on the dividend payment date immediately following the end of the first period during any Auction Term is the amount which is the product of \$25.00 and 75% of the Bankers’ Acceptance Rate on the first business day of such period,
- (ii) on the auction dividend payment dates immediately following the end of the subsequent auction dividend periods during any Auction Term is the amount which is the product of \$25.00 and the “Current Dividend Rate” determined on the “Auction Date” immediately prior to the beginning of such “Auction Dividend Period” (all terms defined in the share conditions for Series N Preferred Shares).

For the first dividend period within a “Corporation Determined Term” or a “Dealer Determined Term” (both terms defined in the share conditions for Series N Preferred Shares), in either case immediately following an Auction Term, the dividend to be paid is the product of \$25.00 and four times the dividend rate determined by the Corporation in accordance with the share conditions for the Series N Preferred Shares or the Dividend Rate determined by the Dealer, as the case may be.

If, for any reason, the applicable dividend rate is not determined or not determinable in accordance with the Share Conditions, the rate applicable in respect of such day shall be the Bankers’ Acceptance Rate on such day plus 0.40%.

Redemption at the Option of the Corporation

Subject to applicable law and to the provisions described under “Restrictions on Dividends Retirement and Issues of Shares”, the Corporation may, upon giving notice, redeem the whole or from time to time any part of the then outstanding Series N Preferred Shares at \$25.00 per share plus an amount equal to all accrued and unpaid dividends to the redemption date.

Purchase for Cancellation

Subject to applicable law and the provisions described under “Restrictions on Dividends Retirement and Issues of Shares”, the Corporation may at any time or times purchase the whole or any part of the outstanding Series N Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors of the Corporation, such shares are then obtainable but not exceeding \$25.00 per share together with an amount equal to all accrued and unpaid dividends up to the date of purchase and the costs of purchase.

Restriction on Dividends, Retirement and Issue of Shares

As long as any Series N Preferred Shares are outstanding, the Corporation will not, without the prior approval of the holders of the outstanding Series N Preferred Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series N Preferred Shares) on shares of the Corporation ranking as to dividends junior to the Series N Preferred Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Series N Preferred Shares, redeem or call for redemption, purchase or otherwise

- reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series N Preferred Shares;
- (c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Series N Preferred Shares then outstanding;
 - (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of any shares ranking as to capital *pari passu* with the Series N Preferred Shares;
 - (e) issue any additional Preferred Shares (other than pursuant to the exercise of existing rights to convert outstanding shares into Preferred Shares of an existing series) or any shares ranking as to dividends or capital prior to or *pari passu* with the Preferred Shares;

unless, in each such case, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends were payable on the Series N Preferred Shares, and any declared and unpaid non-cumulative dividends on all other shares of the Corporation ranking as to dividends prior to or *pari passu* with the Series N Preferred Shares have been paid or set apart for payment.

Liquidation, Dissolution or Winding-Up

In the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, the holders of the Series N Preferred Shares will be entitled to be paid \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon before any amount will be paid or any assets of the Corporation will be distributed to the holders of shares of the Corporation ranking as to capital junior to the Series N Preferred Shares. The holders of Series N Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Voting Rights

The holders of the Series N Preferred Shares are not entitled to receive notice of, attend, or vote at, any meetings of shareholders of the Corporation unless the Corporation has failed to pay in the aggregate dividends for 24 months on the Series N Preferred Shares, whether or not consecutive. In that event, and so long thereafter as any dividends on the Series N Preferred Shares remain in arrears, the holders of the Series N Preferred Shares will be entitled to receive notice of and to attend all meetings of the Corporation's shareholders (other than any meetings of the holders of any other class or series of shares held separately as a class or series) but have no vote thereat. The holders of Series N Preferred Shares are entitled, voting separately as a class together with all other holders of Preferred Shares and the holders of the outstanding Priority Preferred Shares having such a right, to elect two members of the Board of Directors and for such purpose the holders of the Series N Preferred Shares will have one vote for each \$1.00 of the issue price of each Series N Preferred Share held.

Senior Preferred Shares

Provisions of Senior Preferred Shares

Dividends

The holders of the Senior Preferred Shares are entitled to receive in preference to the holders of Preferred Shares and Common Shares, if, as and when declared by the Board of Directors, fixed, cumulative preferential dividends payable quarterly on the 1st day of February, May, August and November at the rate of \$8.00 per annum. No dividends will be declared or paid or set apart for payment in any fiscal year of the Corporation upon any Preferred Shares or Common Shares unless and until all the then accumulated but undeclared dividends and all the then declared dividends on all Senior Preferred Shares then outstanding have been declared and paid or set apart for payment.

Purchase

Except as provided in the "Extraordinary Purchase or Redemption" section below, the Corporation has the option to purchase all or any of the Senior Preferred Shares then outstanding, at a price or prices to be determined by the Board of Directors, but not exceeding the redemption price.

Redemption

Except as provided in the "Extraordinary Purchase or Redemption" section below, the Corporation has the option to redeem all or any of the Senior Preferred Shares then outstanding on payment of the redemption price for each Senior Preferred

Share to be redeemed consisting of the amount paid up thereon, plus an amount equal to all dividends which have been declared and not paid or set apart for payment plus all accumulated but undeclared dividends.

Extraordinary Purchase or Redemption

With respect to the Senior Preferred Shares of the Corporation outstanding and any other preferred shares of the Corporation into which such shares may be converted (the “Outstanding Senior Preferred Shares”), the following provisions apply notwithstanding any other provisions:

- (a) if any of the following events (herein referred to as a “Change”) occurs:
 - (i) any change is made to the *Income Tax Act* (Canada) or *The Corporation Tax Act* (Ontario) or *The Taxation Act* (Quebec) or any other statute or any regulation of Canada or of any province of Canada (other than an amendment to the general rate of tax levied on income);
 - (ii) any change is made in the practice of Revenue Canada or any other governmental authority responsible for the administration of any such statute or regulation;
 - (iii) any request is made by the Bank of Canada, the Minister of Finance of Canada or any other Canadian fiscal or monetary authority (whether or not having the force of law);

which affects the income tax treatment of the dividends on the Outstanding Senior Preferred Shares or affects the income tax treatment of any interest costs incurred by any holder of Outstanding Senior Preferred Shares with the result that such holder’s after-tax rate of return on such Outstanding Senior Preferred Shares will be other than \$8.00 per annum per Outstanding Senior Preferred Share, then the rate of dividends on the Outstanding Senior Preferred Shares will be automatically adjusted as and from the effective date of such Change with the effect that the holder’s after-tax rate of return on their Outstanding Senior Preferred Shares after taking the Change into account will be \$8.00 per annum per Outstanding Senior Preferred Shares; following any such adjustment, the Corporation has the right to redeem, purchase or cause to be purchased the Outstanding Senior Preferred Shares held by such holder at a price of \$101.78 per share plus an amount equal to all dividends which have been declared thereon and which have not been paid or set apart for payment plus all accumulated but undeclared dividends thereon to the date of redemption, purchase or causing to be purchased;

- (b) in the event that a Change occurs which affects one or more but not all of the holders of the Outstanding Senior Preferred Shares or which affects the after-tax return to holders of the Outstanding Senior Preferred Shares to differing degrees, or in the event of a transfer of some or all of the Outstanding Senior Preferred Shares whereby the transferee will have an after-tax return on dividends paid on such Outstanding Senior Preferred Shares other than \$8.00 per annum per Outstanding Senior Preferred Share, then at the request of the Corporation each holder of the Outstanding Senior Preferred Shares will be obliged to convert the Outstanding Senior Preferred Shares held into the same number of shares of a new class of preferred shares or a series of a new class of preferred shares which the Corporation will, notwithstanding any other provisions hereof, be entitled to authorize and issue and which new class of preferred shares will be identical in preferences, priorities, rights, privileges, limitations and conditions as the Outstanding Senior Preferred Shares save as to dividend rate which will be the rate requested to be paid to such holder following any such Change or transfer; or
- (c) in the event any conversion of Outstanding Senior Preferred Shares is requested pursuant to this section and the Corporation has authorized preferred shares available for issue bearing the appropriate dividend rate, the Corporation may request conversion to such shares rather than to a new class of preferred shares or series of a new class of preferred shares.

Priority

The Senior Preferred Shares rank, both as regards to dividends and return of capital, in priority to the Preferred Shares and Common Shares. Except as provided in the “Extraordinary Purchase or Redemption” section above, so long as any Senior Preferred Shares are outstanding, no class of shares may be created ranking as to capital or dividends in priority to or on a parity with the Senior Preferred Shares nor will the authorized number of Senior Preferred Shares be increased nor will the aggregate amount for which the Senior Preferred Shares (other than the Outstanding Senior Preferred Shares) may be issued exceed \$30,000,000.00, without the consent of all of the holders of the Outstanding Senior Preferred Shares and such other holders of Senior Preferred Shares in accordance with the share conditions for Senior Preferred Shares.

Liquidation

In the event of the liquidation or dissolution of the Corporation, no sum will be paid to, nor will any assets be distributed among, the holders of the Preferred Shares or Common Shares until the following has been paid:

- (a) to the holders of the Outstanding Senior Preferred Shares, the sum of \$101.78 for each Outstanding Senior Preferred Share held by them respectively; and
- (b) to the holders of the other Senior Preferred Shares the amount paid up on each such Senior Preferred Share held by them respectively, plus in each case an amount equal to all dividends which have been declared thereon and which have not been paid or set apart for payment plus all accumulated but undeclared dividends thereon and no more;

the remaining assets and funds of the Corporation will be divided among and paid to the holders of the Preferred Shares and Common Shares in accordance with their respective rights.

Voting Rights

The holders of the Senior Preferred Shares are not entitled to receive notice of, attend, or vote at, any meetings of the shareholders of the Corporation unless the Corporation has failed to pay in the aggregate eight quarterly dividends on the Senior Preferred Shares. In that event, but only so long as the dividends remain in arrears, the holders of the Senior Preferred Shares are entitled to receive notice of and to attend all meetings of shareholders of the Corporation and will have one vote for each Senior Preferred Share held. The holders of Senior Preferred Shares are entitled, voting separately as a class, to elect two members of the Board of Directors of the Corporation. Upon such circumstances ceasing to exist, such directors will resign.

Amendment

The provisions of the Senior Preferred Shares may be amended by a resolution adopted by all of the holders of the Outstanding Senior Preferred Shares and such other holders of Senior Preferred Shares, if any, who together comprise a majority of not less than two-thirds of the votes cast by the holders of the Senior Preferred Shares and by not less than two-thirds of the votes cast by the holders of the Common Shares present or represented at and voting separately by classes at a special general meeting of the shareholders called for considering such a resolution.

Priority Preferred Shares

Provisions of Priority Preferred Shares

Dividends

The holders of the Priority Preferred Shares are entitled to receive, if, as and when declared by the Board of Directors, fixed preferential non-cumulative cash dividends at the rate of \$0.01 per share per annum payable on December 31 in each year. If within 30 days after the expiration of any calendar year the Board of Directors in its discretion has not declared dividends on the Priority Preferred Shares for the calendar year, the rights of the holders of the Priority Preferred Shares the dividends for such year are forever extinguished.

Liquidation, Dissolution and Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, the holders of the Priority Preferred Shares are entitled to receive from the assets and property of the Corporation the "Liquidation Value" for each Priority Preferred Share held by them plus an amount equal to all dividends that have been declared but not yet paid on those Priority Preferred Shares before any amounts will be paid or any assets or property of the Corporation distributed to the holders of any shares ranking junior to the Priority Preferred Shares. The holders of Priority Preferred Shares will not be entitled to share in any further distribution of the assets of the Corporation.

Voting Rights

The holders of the Priority Preferred Shares are not entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the holders of any outstanding series of Preferred Shares have become entitled to vote to elect one or more members of the Board of Directors of the Corporation. In that event, and for so long thereafter as the holders of any outstanding series of Preferred Shares continue to be entitled to exercise that voting right, the holders of the Priority Preferred Shares are entitled to receive notice of and to attend all meetings of the Corporation's shareholders (other than any meetings of the holders of any other class or series held separately as a class or series), but

have no vote thereat. The holders of Priority Preferred Shares are entitled, voting separately as a class together with all holders of Preferred Shares having such a right, to elect two members of the Board of Directors of the Corporation. For the purposes of such election, each holder of Priority Preferred Shares will have the number of votes determined by multiplying 54.35 times the number of Priority Preferred Shares held, rounded down to the next highest whole number.

Ranking of Preferred Shares, Common Shares and Other Shares

The Priority Preferred Shares rank senior to the Preferred Shares and the Common Shares, as well as the shares of any other classes of shares ranking junior to the Priority Preferred Shares and are subject in all respects to the rights, privileges, restrictions and conditions attaching to the Priority Preferred Shares.

Exchange for New Junior Subordinated Debt

Effective on the first business day on which the Corporation completes the repayment or retirement of all of its outstanding subordinated debt, each Priority Preferred Share will be exchanged for New Junior Subordinated Debt having a principal amount equal to the then current Liquidation Value (as defined in the Share Conditions of the Priority Preferred Shares) of that Priority Preferred Share. All entitlement to dividends on the Priority Preferred Shares will be extinguished immediately before the time of that exchange. All Priority Preferred Shares exchanged will be cancelled and cease to be outstanding and to be entitled to dividends and to participate in any return of capital or distribution of assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation and will not be reissued and no additional Priority Preferred Shares will be issued at any time following the exchange date.

Common Shares and Non-Voting Equity Shares

Provisions of the Common Shares and Non-Voting Equity Shares

Dividends

The Common Shares and the Non-Voting Equity Shares rank equally with one another and subordinate to the Preferred Shares, the Senior Preferred Shares, the Priority Preferred Shares and any other shares of the Corporation ranking senior to the Common Shares and the Non-Voting Equity Shares as to dividends and all dividends, other than stock dividends payable in equity shares, will be declared contemporaneously and paid at the same time in the same property and in equal amounts per share on all the Common Shares and all the Non-Voting Equity Shares at the time outstanding, without preference or priority of one share over another. The Board of Directors may declare separate stock dividends payable in equity shares for each of the Common Shares and Non-Voting Equity Shares provided that:

- (a) such stock dividends are declared contemporaneously and paid at the same time and in equal numbers of additional equity shares per share on all the Common Shares and all the Non-Voting Equity Shares at the time outstanding; and
- (b) such stock dividends are to be paid:
 - (i) in Common Shares to the holders of Common Shares; or
 - (ii) in Non-Voting Equity Shares to holders of Non-Voting Equity Shares, provided that each holder of Non-Voting Equity Shares may elect, to receive such stock dividends in Common Shares and absent any election such stock dividends will be paid in Non-Voting Equity Shares to such holders.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation, the holders of Common Shares and Non-Voting Equity Shares will be entitled to receive, after payment of all liabilities of the Corporation and subject to the preferential rights of all classes of shares ranking senior to the Common Shares and Non-Voting Equity Shares, the remaining assets and property of the Corporation, in equal amounts per share, without preference or priority of one share over another.

Voting

The holders of Common Shares are entitled to receive notice of any meeting of shareholders of the Corporation and to attend and vote thereat, except those meetings where only the holders of shares of a particular class or series are entitled to vote. Each Common Share will entitle the holder thereof to have one vote for each share held. The holders of Non-Voting Equity Shares are entitled to receive notice of any meeting of shareholders of the Corporation and to attend thereat, except those meetings where only the holders of shares of a particular class or series are entitled to vote. Subject to applicable law,

a Non-Voting Equity Share will not entitle the holder thereof to any right to vote at any meeting of shareholders of the Corporation.

Limitations on Right to Class Vote

The holders of Non-Voting Equity Shares will not be entitled to vote separately as a class on a proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized Non-Voting Equity Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the Non-Voting Equity Shares;
- (b) effect an exchange, reclassification or cancellation of all or part of the Non-Voting Equity Shares; or
- (c) create a new class of shares equal or superior to the Non-Voting Equity Shares.

Conversion of Common Shares

A holder of Common Shares has the option to convert all or a part of such Common Shares into fully paid and non-assessable Non-Voting Equity Shares on the basis of one Non-Voting Equity Share for each Common Share converted.

Subdivision or Consolidation

None of the Common Shares or the Non-Voting Equity Shares will be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the shares of such other class are subdivided, consolidated, reclassified or otherwise changed in the same proportion or the same manner.

Restrictions on Additional Issuances

If the Corporation proposes to grant options, rights or warrants to holders of shares of any class, as a class, to acquire additional participating securities (whether voting or not voting), securities convertible into the foregoing, or to make any other distribution of property or assets other than stock dividends payable in equity shares in accordance with the "Dividends" section above, then the holders of Common Shares and Non-Voting Equity Shares will, for such purpose, be deemed to be holders of shares of the same class of shares.

APPENDIX C – AUDIT COMMITTEE CHARTER

A committee of the Board of Directors of the Corporation to be known as the Audit Committee (the “Committee”) shall have the following terms of reference:

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the Board of Directors of the Corporation (the “Board”) shall appoint from its number three or more directors (the “Members” and each a “Member”) to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the Board on the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the Board.

All of the Members will be Independent Directors.

In addition, every Member will be Financially Literate or agree to become Financially Literate within a reasonable period of time following appointment. Members may not serve on three or more other public company audit committees, except with the prior approval of the Board.

The Board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

- (a) be directly responsible for overseeing the work of the external auditor of the Corporation engaged for the purpose of preparing or issuing an auditor’s report or providing other audit, review or attest services to the Corporation (the “auditor”);
- (b) require the auditor to report directly to the Committee;
- (c) review and evaluate the auditor’s independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and recommend to the Board the auditor who should be nominated for appointment or re-appointment by the shareholders;
- (d) where appropriate, recommend to the Board that the shareholders terminate the auditor;
- (e) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;
- (f) review the terms of the auditor’s engagement and recommend to the Board the compensation of the auditor;
- (g) at least annually, obtain and review a report by the auditor describing:
 - the auditor’s internal quality-control procedures; and
 - any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- (h) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;
- (i) review and evaluate the lead partner of the auditor;

- (j) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the audit firm;
- (k) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
- planning and staffing of the audit;
 - any material written communications between the auditor and management;
 - whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
 - the extent to which the auditor is satisfied with the nature and scope of its examination;
 - whether or not the auditor has received the full co-operation of management of the Corporation;
 - the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
 - the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
 - all critical accounting policies and practices to be used by the Corporation;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
 - any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and
 - any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to paragraphs 5135.099 and 5136.28 of the CICA Handbook.
- (l) pre-approve any non-audit service to be provided to the Corporation or any of its subsidiaries by the auditor in accordance with applicable law. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services to the extent permitted by applicable law. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval. The Committee may also adopt specific policies and procedures for the engagement of non-audit services provided these policies and procedures are detailed as to the particular services, mandate that the Committee be informed of each non-audit service and do not include the delegation of the Committee's responsibilities to management;
- (m) resolve any disagreements between management and the auditor regarding financial reporting;
- (n) prior to the disclosure to the public, review, and, where appropriate, recommend for approval by the Board, the following:
- audited annual financial statements, in conjunction with the report of the auditor;
 - interim financial statements;
 - annual and interim earnings press releases;
 - annual and interim management's discussion and analysis of financial condition and results of operation;
 - reconciliations of the annual or interim financial statement; and
 - all other audited or unaudited financial information contained in public disclosure documents (including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities);

- (o) discuss press releases containing financial information (to ensure consistency of the disclosure to the financial statement), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of “pro forma” or “adjusted” non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
- (p) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements;
- (q) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation’s internal control over financial reporting which are reasonably likely to adversely affect the Corporation’s ability to record, process, summarize and report financial information, and any fraud involving management or other employees;
- (r) review the effectiveness of management’s policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;
- (s) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of significant deficiencies and material weaknesses in internal control over financial reporting;
- (t) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer’s financial statements and periodically assess the adequacy of these procedures;
- (u) establish and periodically review the procedures for the receipt, follow-up, retention and treatment of complaints received by the Corporation about accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (v) review periodically, the Corporation’s policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;
- (w) review periodically, the status of taxation matters of the Corporation;
- (x) review and approve the Corporation’s policies for hiring partners and employees and former partners and employees of the present auditor and any former auditors of the Corporation;
- (y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, inquiries from regulators and material inquiries from governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation; and
- (z) consider other matters of a financial nature as directed by the Board.

REPORTING

The Committee will regularly report to the Board on:

- the auditor’s independence;
- the performance of the auditor and the Committee’s recommendations regarding its reappointment or termination;
- the performance of the internal audit function department;
- the adequacy of the Corporation’s internal controls and disclosure controls;
- its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation’s financial statements, including any issues with respect to the quality or integrity of the financial statements;
- its review of any other public disclosure document including the annual information form and the annual and interim management’s discussion and analysis of financial condition and results of operations;

- the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and
- all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's Web site and the annual report of the Corporation will state that this Charter is available on the Web site or is available in print to any shareholder who requests a copy.

ASSESSMENT

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor at the expense of the Corporation, without the Board's approval at any time and has the authority to determine any such advisor's fees and other retention terms.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS

Meetings of the Committee may be called by any Member, the Chairman of the Board, the Chief Executive Officer or Chief Financial Officer of the Corporation or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the *Canada Business Corporations Act* and the by-laws, and unless otherwise determined by the Board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to the auditor, each Member, and to the Chairman of the Board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally, in person or by telephone, by letter, by facsimile or other electronic means not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors and/or members of management to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"Independent Director" means a director who has been affirmatively determined by the Board to have no material relationship with the Corporation, its parent or a subsidiary corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition, a director will be deemed to have a material relationship if he or she has one of the following relationships with the Corporation (which in each case below must be read as including a parent company or subsidiary of the Corporation):

- (a) the director is or was within the last three years an employee or executive officer (or has an immediate family member who is or was within the last 3 years an executive officer) of the Corporation. A director

is not disqualified from being independent if he or she previously acted as an interim chief executive officer of the Corporation, or currently acts or previously acted as a part-time chair or vice-chair of the Board or any Board committee;

- (b) the director (a) is a partner of or is employed by the Corporation's internal or external auditor; (b) was within the last three years a partner or employee of that auditing firm and personally worked on the Corporation's audit within that time; or (c) has a spouse, minor child or a child who lives in the director's home and who (i) is a partner of the Corporation's internal or external auditor; (ii) is an employee of the auditing firm and works in the audit, assurance or tax compliance (but not tax planning) practice; or (iii) was within the last three years a partner or employee of that auditing firm and personally worked on the Corporation's audit during that time. For this purpose, a "partner" does not include a partner whose interest in the auditing firm is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service, if the compensation is not contingent in any way on continued service;
- (c) the director is or was within the last three years (or has an immediate family member who is or was within the last three years) an executive officer of another entity if any of the Corporation's current executive officers serve or served at the same time on the compensation committee of that entity; or
- (d) the director has (or an immediate family member who is employed as an executive officer of the Corporation has) received more than Cdn. \$75,000 in direct compensation from the Corporation in any 12-month period within the last three years, other than (a) fees for acting as a director or committee member, including as the Chairperson of the Board or a Board committee; and (b) fixed amounts of compensation under a retirement or deferred compensation plan for prior service with the Corporation, if receipt is not contingent in any way on continued service.
- (e) For the purposes of the definition above, the term "executive officer" means the chair, vice-chair, president, vice-presidents in charge of principal business units, divisions or functions, and any other individual (whether employed by the Corporation or not) who performs a policy-making function in respect of the Corporation, and the term "immediate family member" means the director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers and sisters-in-law and anyone (other than a domestic employee) who lives in the director's home.

Additionally, members of the Audit Committee are subject to two additional requirements to be considered independent for audit committee purposes:

- (a) the director cannot after appointment to the Audit Committee accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than (a) fees for acting as a director, committee member, or part-time chair or vice-chair of the Board or any Board Committee; and (b) fixed amounts of compensation under a retirement or deferred compensation plan for prior service with the Corporation (provided such compensation is not contingent in any way on continued service). A fee is considered to have been indirectly received by the director if it is received by (a) the director's spouse, a minor child or a child who lives in the director's home; or (b) an entity in which the director is a partner, a member or an officer (such as a managing director or executive officer) if that entity provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any of its subsidiaries, unless the director is a limited partner or a non-managing member of the entity and plays no active role in providing services to the entity; and
- (b) the director cannot be an affiliated entity of the Corporation or any of its subsidiaries.

For the purposes of the Audit Committee requirements above, the term "affiliated entity" means an individual or company that controls, is controlled by or is under common control with the Corporation. In addition, an individual is himself or herself an affiliated entity of the Corporation if the individual holds any of the following positions with an affiliated entity: a director who is an employee, an executive officer, a general partner or a managing member, and the term "control" means having the direct or indirect power to control the Corporation, whether through ownership of voting securities or otherwise. An individual who owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation will be deemed not to control the Corporation if the individual is not an executive officer of the Corporation.

"Financially Literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.