



PLAZACORP RETAIL  
PROPERTIES LTD.

**PLAZACORP RETAIL PROPERTIES LTD.**

**ANNUAL INFORMATION FORM**

In respect of the fiscal year ended

**October 31, 2004**

May 11, 2005

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### **Forward Looking Statements**

Certain statements contained in this annual information form, and in certain documents incorporated by reference herein, constitute “forward-looking statements”. When used herein and therein, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, those which are discussed under the heading “Risk Factors”. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements.

## CORPORATE STRUCTURE

Plazacorp Retail Properties Ltd. (the “Corporation” or “Plazacorp”) was incorporated under the *New Brunswick Business Corporations Act* on February 2, 1999. The Corporation’s head office and principal place of business is located at 527 Queen Street, Suite 110, Fredericton, New Brunswick E3B 1B8.

On July 23, 1999 the Corporation completed an initial public offering of 1,000,000 common shares at \$0.20 per share for gross proceeds of \$200,000. The initial public offering was made pursuant to applicable legislation in respect of junior capital pool companies. The common shares of the Corporation were listed and posted for trading on the Alberta Stock Exchange on July 30, 1999. At that time, the Corporation was considered a junior capital pool corporation and had not conducted operations of any kind other than the identification and evaluation of potential investors, with a view to completing a major transaction.

On November 1, 1999, the Corporation amalgamated with Plazafund Retail Properties Ltd., a private company incorporated in New Brunswick and engaged in the business of owning and developing retail real estate properties in Atlantic Canada and Quebec, which constituted its major transaction for the purposes of applicable legislation. The common shares of the Corporation are now listed and posted for trading on the TSX Venture Exchange under the trading symbol PLZ.

On December 11, 2002, on receipt of shareholder and regulatory approval, the Corporation filed articles of amendment with the director under the *Business Corporations Act (New Brunswick)* adding certain redemption rights to the common shares of the Corporation qualifying the Plazacorp to become a Mutual Fund Corporation as defined in the *Income Tax Act (Canada)*

The following table sets forth the name and jurisdiction of formation of each of the subsidiaries of the Corporation, together with and the Corporation’s percentage direct and indirect ownership of such subsidiaries, as at October 31, 2004:

Name of Subsidiary	Jurisdiction of Formation	Percentage Ownership Voting Securities	Percentage Ownership Non-Voting Securities
Exhibition Plaza Inc.	New Brunswick	55%	N/A
McAllister Drive Plaza Inc.	New Brunswick	55%	N/A
Centre Commercial Plaza Theriault Inc.	Quebec	100%	N/A
Les Galeries Montmagny (1998) Inc.	Quebec	50%	50%

<b>Name of Subsidiary</b>	<b>Jurisdiction of Formation</b>	<b>Percentage Ownership Voting Securities</b>	<b>Percentage Ownership Non-Voting Securities</b>
Spring Park Plaza Inc.	PEI	85%	N/A
Granville Street Properties Limited Partnership	PEI	60%	N/A
Wildan Properties Limited Partnership	PEI	60%	N/A
SCA Plaza Inc.	NB	55%	N/A
Plaza LPC Commercial Trust	QC	10%	N/A
Commercial St. Plaza Trust	NB	100%	N/A
Tacoma Centre Limited Partnership	NB	100%	N/A
Northwest Plaza Commercial Trust	NB	10%	N/A
Plazacorp Property Holdings Inc.	NB	100%	N/A
MDO Commercial Trust Inc.	QC	100%	N/A
Plazacorp Retail Partnership #1	NB	100%	N/A

When used herein, the term “Corporation” refers to Plazacorp Retail Properties Ltd. and each of its subsidiaries, unless the context otherwise requires. All information in this Annual Information Form is presented as at October 31, 2004 unless otherwise specified.

## **GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION**

### **General**

Plazafund Retail Properties Ltd. (“Plazafund”) amalgamated with Plazacorp Retail Properties Ltd. on November 1, 1999. Because this transaction was accounted for using the continuity of interest method, the following description of the development of the business of the Corporation includes the development of Plazafund since it commenced operations in 1999.

On March 30, 1999, Plazafund acquired Plaza Super C, an enclosed shopping mall in Shawinigan, Quebec for \$3.2 million. The Corporation has redeveloped this property converting it from an enclosed shopping centre to a 130,181 square foot strip plaza.

On May 1, 1999, Plazafund acquired an interest in four properties located in New Brunswick; Grand Falls Shopping Mall, Wedgewood Plaza, Business Depot and 55% of the shares of Exhibition Plaza Inc. The acquisition cost of the interest in each of the properties reflected the fair market value of the net assets acquired based on independent third party appraisals. The properties were acquired from various entities some of which were owned or controlled by certain directors and/or past directors of the Corporation namely, Earl Brewer, Michael Zakuta, Paul Leger and Richard Hamm.

- Grand Falls Shopping Mall is a 149,620 square foot enclosed shopping mall located in Grand Falls, New Brunswick. It is the dominant shopping centre in the area. This property was acquired for \$7.35 million and was paid through the assumption of the mortgage and the issuance of 5,831,113 shares at \$0.75/share.
- Wedgewood Plaza is a 12,768 square foot strip plaza located in Riverview, New Brunswick and is fully leased to three national tenants, all under long term leases. This property was acquired for \$1.36 million through the assumption of the mortgage and the issuance of 614,667 shares at \$0.75/share.
- The Business Depot is a 25,293 square foot single purpose building in Saint John, New Brunswick leased under a long term lease to the Business Depot Ltd (operating as Staples). The Business Depot was acquired for \$2 million through the assumption of the mortgage and the issuance of 1,084,039 shares at \$0.75/share.
- Exhibition Plaza Inc. is a single purpose company that owns a 74,800 square foot strip plaza in Saint John, New Brunswick. It is fully leased to national retailers. The shares were acquired at a price of \$933,163 and was paid through the issuance of 1,244,217 shares at \$0.75 per share.

In May 1999, Plazacorp purchased two acres of land on Prospect Street in Fredericton, New Brunswick, which is a dominant retail area in the city. Plazacorp constructed FHS Plaza, a 24,366 square foot strip plaza on this site. The plaza is currently 100% leased to regional and national tenants.

In October 1999, Plazacorp acquired a 55% of the shares of McAllister Drive Plaza Inc. The Corporation completed development on this 19,275 square foot property in March 2001. This property is 100% leased and is located in Saint John, New Brunswick's key retail corridor.

On October 29, 1999, Plazacorp acquired Les Promenades Saint François, an enclosed mall located in Laval, Quebec, for \$2,750,000. In September 2001, the Corporation completed redevelopment on this property converting it from an enclosed shopping mall into a 55,332 square foot strip plaza, after the sale of surplus land to a national retailer.

On March 31, 2000, Plazacorp acquired a 100% interest in Lansdowne Place, a 202,359 square foot strip plaza located in Saint John, New Brunswick for a purchase price of \$5.85 million. Plazacorp completed significant redevelopment on this property since its acquisition bringing the occupancy rate of this property from 73% to 94.5%. This property is leased to a number of national, regional and local tenants. Subsequent to October 31, 2004, the Corporation began a reconfiguration and expansion of existing tenants in this property.

In July 2000, the Corporation completed development of a 50% co-ownership interest in a property located in Granby, Quebec. This 25,695 square foot property is a single purpose building and is leased to Staples/The Business Depot under a long term lease.

On September 1, 2000, the Corporation acquired an interest in seven new properties described below for a purchase price of \$26,041,379. As consideration, Plazacorp assumed mortgages and liabilities totalling \$21,149,587 and issued 5,891,792 shares at a price of \$1.00 per share. The acquisition cost of the interest in each of the properties reflected the fair market value of the net assets acquired based on independent third party appraisals. The properties were acquired from various entities some of which were owned or controlled by certain directors of the Corporation namely, Earl Brewer, Michael Zakuta, and Paul Leger. Effective November 1, 2003, the Corporation recorded the effect of the issuance of 1,388,438 common shares issued at \$1.00 per share pursuant to original purchase and sale agreements as further consideration upon these seven properties achieving certain performance criteria by October 31, 2003. There are no further contingencies in respect of these transactions.

- An interest in Belvedere Plaza was acquired through the purchase of 60% of the units of Wildan Properties Limited Partnership. The neighbourhood strip plaza, of which 77,266 square feet is owned by the partnership, is located in Charlottetown, PEI and is leased to national tenants.
- Plazacorp acquired a 50% interest in Les Galeries Montmagny through the purchase of 50% of the outstanding shares in Les Galeries Montmagny (1988) Inc. The 134,171 square foot property is a dominant shopping mall in Montmagny, Quebec.
- The Corporation acquired a 60% interest in Granville Street Plaza in through purchase of 60% of the units of Granville Street Plaza Limited Partnership. The strip plaza, of which 67,916 square feet is owned by the partnership, is located in Summerside PEI and is leased to a mix of regional and national tenants.
- The Corporation acquired 100% of Plaza Hotel de Ville. This 20,479 square foot strip plaza is located in Rivière-du-Loup, Quebec and is well located in the main commercial area of its community.
- The Corporation acquired 50% of the outstanding shares in Centre Commercial Plaza Theriault Inc. This single purpose company holds a 25,780 square foot strip plaza called Plaza Theriault which contains national and regional tenants.
- Plazacorp acquired an 85% interest in Spring Park Plaza through the purchase of shares in Spring Park Plaza Inc. This property, of which 51,386 square feet is owned by Spring Park Plaza Inc. is located in Charlottetown, PEI.

- Plazacorp acquired a 43% interest in University Plaza, a 62,046 square foot strip plaza located in Charlottetown, PEI. The co-ownership agreement for this property ensures the Corporation's consent is required on all major decisions, treating Plazacorp as if it were a 50% owner.

On October 4, 2000, Plazacorp acquired 100% interest in Woodlawn Centre at a price of \$8 million. As part of the consideration, Plazacorp issued 1.0 million shares at \$1.00 per share as well as organized a \$1 million vendor take back mortgage. This \$1 million mortgage was subsequently converted to 1,587,301 Plazacorp common shares on January 31, 2002 at an effective price of \$0.63 per share. Subsequent to the acquisition of the property, the Corporation commenced significant redevelopment, completing construction in October 2001. The property, now renamed Staples Plaza, is located in a significant retail area in Dartmouth, Nova Scotia. This 156,817 square foot strip plaza contains many regional and national tenants including a 25,000 square foot Staples store.

On October 20, 2000, the Corporation acquired a 100% interest in the Oromocto Mall, located in Oromocto, New Brunswick at a price of \$5.4 million. Throughout 2001 the Corporation completed redevelopment on this property of which 84,972 is owned by the Corporation and which included the expansion of a 33,995 Atlantic Super Value to a tenant-owned 55,875 square foot Atlantic Superstore. In 2004, the property underwent another expansion which included the addition of a new 16,000 square foot Shoppers Drug Mart.

In February 28, 2001, the Corporation acquired an interest in Centennial Plaza and Place du Marché in Montreal, Quebec, two properties totalling 189,786 square feet. The properties were purchased for \$19.5 million through the creation of a limited partnership, in which the Corporation invested \$550,000 for a 10% interest in the partnership units. The partnership agreement also entitles Plazacorp to a 20% residual partnership interest in both cash flows in excess of a preferred return on equity of 10% and to gains on disposition in excess of capital contributions made by the partners.

On May 1, 2001, the Corporation acquired the remaining 50% interest in Plaza Theriault Inc., Rivière-Du-Loup, Quebec. As consideration, the Corporation issued 429,658 common shares at a price of \$1.00 per share. Effective November 1, 2003, the Corporation issued 29,225 additional common shares at \$1.00 per share pursuant to the original purchase and sale agreement upon the property achieving specific performance criteria by October 31, 2003. There are no further contingencies in respect of this transaction.

On July 1, 2001, the Corporation issued 1,405,698 common shares as consideration for the acquisition of a 100% ownership interest in Nashwaaksis Plaza, Fredericton, New Brunswick, a strip plaza, of which 57,218 square feet is owned by the Corporation. The acquisition cost of the property reflected the fair market value of the net assets acquired based on independent third party appraisals. The property was acquired from an entity controlled by Earl Brewer, Michael Zakuta, Paul Leger, and Richard Hamm, directors and/or past directors of the Corporation. The transaction was accounted for using the continuity of interests method whereby the recorded cost of the net assets acquired of \$192,022 was the carrying amount of the related party seller.

On August 1, 2001, the Corporation completed development on a new property located in New Glasgow, Nova Scotia. This strip plaza is a 33,753 square feet property leased to national and regional tenants including a 25,000 square foot Staples store.

On September 28, 2001, the Corporation acquired an interest in a property development located in Rimouski, Quebec. This \$1.4 million acquisition was made through a limited partnership, in which the Corporation invested \$125,020 for a 50% partnership interest. This 25,771 square foot property is a single purpose building and is leased to Staples/The Business Depot under a long term lease.

On December 4, 2001, the Corporation acquired a 50% co-ownership interest in Terrace Dufferin, a 17,567 square foot strip plaza in Valleyfield, Quebec, through an investment in Centre Commercial Dufferin (2001) Inc. Plazacorp initially funded a portion of its 50% interest in the \$1.21 million purchase price with \$500,000 in Plazacorp first mortgage bonds. On March 15, 2002, the first mortgage bonds were replaced with long term financing.

On March 28, 2002, the Corporation acquired a 100% interest in Tacoma Centre, a 165,991 square foot shopping mall located in Dartmouth NS, through Tacoma Centre Limited Partnership. The Corporation utilized \$2.2 million from its first mortgage bonds as well as a vendor take back mortgage to fund the \$4.5 million purchase price. On September 12, 2002, the first mortgage bonds were repaid when the partnership completed an equity offering of \$1.44 million representing 90% of the equity requirements. Plazacorp retained a 10% equity interest in the partnership and rights to 50% of the cash flow generated by the property in excess of a preferred return. Plazacorp reacquired 100% of the property on October 15, 2003, through the purchase of all the outstanding partnership units. The purchase price was \$8.54 million. The company paid \$2.06 in cash and assumed \$5.3 million in debt for the interest not already owned by Plazacorp.

On July 31, 2002, the Corporation acquired a 55% interest in SCA Plaza Inc., which has built a 17,430 square foot strip plaza on McAllister Drive, Saint John, New Brunswick. This property is leased to national and regional tenants and is an extension of the successful developments including Exhibition Plaza and McAllister Drive Plaza along McAllister Drive, Saint John's primary retail corridor.

On August 29, 2002 Plazacorp acquired an interest in Les Promenades du Cuivre through the purchase of 100% of the units of Plaza LPC Commercial Trust, a shopping mall located in Rouyn, Noranda, QC of which 124,442 square feet are owned by the Trust. The property was purchased by the Trust for \$6.2 million and was financed using a combination of Plazacorp mortgage bonds, a vendor take back mortgage and cash. On December 1, 2002, the Trust completed an equity offering of \$2.07 million representing 90% of the equity requirements. Plazacorp retained a 10% equity interest in the trust and rights to 50% of the cash flow generated by the property in excess of a preferred return. Plazacorp may acquire 100% of the property at a later date based on specific put and call agreements with its financial partners. Effective December 22, 2004, the mortgage bonds have been replaced with long term financing.

On April 30, 2003, the company entered into a 20-year renewable land lease agreement for the construction of Empire Plaza, a 13,743 square foot strip plaza, in Fredericton, NB. This 100% owned property was completed in August 2003.

On June 25, 2003, the Corporation exercised options, pursuant to option agreements dated March 17, 2003, to purchase interests in three properties. The interests in the properties were at the time owned by various entities owned and controlled by certain directors and/or past directors of Plazacorp, namely Earl Brewer, Richard Hamm, Michael Zakuta and Paul Leger. The Corporation acquired the assets at cost to the vendors. The assets are as follows:

- 20% ownership interest in Marché de l'Ouest, a 122,778 square foot shopping mall located in Dollard-des-Ormeaux, QC through the purchase of 100% of the units of MDO Commercial Trust which owns 20% of the property and with rights to 30% of cash flow above a preferred return to investors. In 2004 the Corporation, completed a significant renovation including the addition of a major food anchor.
- 20% ownership interest in Northwest Centre, Moncton , NB, a 175,431 square foot strip plaza, through the purchase of units in Northwest Plaza Commercial Trust. On October 1, 2003, the trust closed an offering of \$1,900,000 in subordinated debt and Class A trust units to private investors. As a result of the transaction, the company's ownership position was reduced to 10%. Co-incidentally, the company entered into put/call agreements, which provide an opportunity to acquire majority ownership in the property at a future date through the exercise of rights under the agreement. Subsequent to October 31, 2004, the Corporation commenced an 8,000 square foot expansion on this property on behalf of a national retailer.
- 100% of the units of Commercial St. Plaza Trust, owner of Commercial Street Plaza, New Minas , Nova Scotia The company subsequently completed development of the 15,332 square foot strip plaza located in New Minas, NS.

On July 9, 2003 the company entered into a 40 year renewable land lease agreement, effective November 1, 2003, for the re-development of a 13,400 square foot strip plaza and restaurant pad in New Glasgow, NS, upon which construction began in November, 2003. The Corporation has an option to purchase the underlying land beginning in January 2009.

On August 20, 2003, the company purchased land in Woodstock, NB to begin development of a 19,560 square foot strip plaza project upon which construction began in November 2003 and was completed in the spring of 2004.

On December 2, 2003, The Corporation initiated a redevelopment project , with the signing of a 40-year lease for Main Place, Fredericton, NB, a 31,247 square foot retail property. The lease provides the Company with options to purchase the property at every fifth anniversary date beginning in the tenth year. The redevelopment on this property was completed in the fall of 2004 and included the construction of a 15,800 square foot Shoppers Drug Mart.

On December 4, 2003, the company acquired a 25% interest in Carrefour des Seigneurs, Terrebonne, QC, a 34,153 square foot retail plaza on a 2.635 acre site. The 25% interest property was purchased for consideration of \$700,000 including cash and placement of a \$525,000 first mortgage. Of the remaining 75% interest, 50% is held by Centennial Plaza Limited Partnership in which Plazacorp owns a 10% interest with rights to 20% of excess cash

flow above a preferred return to investors. The company's effective ownership interest in Carrefour des Seigneurs is 30%.

On December 8, 2003, the company acquired an undivided 50% interest in an 85,453 square foot retail strip plaza at 209 Chain Lake Drive in the Bayer's Lake retail power centre, Halifax, NS. The property was acquired for consideration of \$5,975,000 plus closing costs including cash and placement of a \$4,481,250 mortgage.

On March 2, 2004, the Company leased 7.8 acres in Moncton, New Brunswick for the development of a 82,802 square foot retail strip plaza. Rental payments commence June 1, 2004. Construction began in the spring of 2004 and is expected to be completed early in 2005. The property is currently 100% pre-leased.

On March 12, 2004, the Company entered into an agreement of purchase and sale for the acquisition of a property located on Mountain Road in Moncton, New Brunswick. The property was purchased for \$1,250,000. The existing building was substantially demolished and construction of an 18,890 square foot Shopper Drug Mart was completed in September 2004.

On March 22, 2004, Plazacorp sold 50% interest in three properties namely, Les Promenades St-François, Laval, Quebec; Lansdowne Place, Saint John, New Brunswick; and Staples Plaza, Dartmouth, Nova Scotia. In exchange for 50% ownership interest, Plazacorp received consideration of \$15.9 million including cash and the assumption of \$10.1 million mortgage debt by the Purchaser.

On March 15, 2004, the Company entered into a 20 year renewable land lease for the construction of a 20,975 square foot strip plaza located in Sydney, Nova Scotia. The property 100% leased to national and regional tenants. Construction commenced in May 2004 and was completed in September 2004.

On April 14, 2004, Plazacorp acquired 100% interest in 201 Chain Lake Drive, a 118,498 square foot shopping mall located in Halifax, Nova Scotia. The property was purchased for \$14,500,000 and was financed through a \$4.04 first mortgage and a \$6.6 million second mortgage held by the Canadian Real Estate Investment Trust ("CREIT"). On October 31, 2004, CREIT exercised its option to purchase 50% of the property at a price equal to Plazacorp's cost base in the project by converting \$5.78 million of its second mortgage to equity and assuming \$1.99 million of the first mortgage. On December 13, 2004, the Corporation borrowed \$5.04 million in mortgage financing from CREIT secured by a second mortgage financing of 201 Chain Lake Drive and provisions of cross default arrangement on the existing co-ownership security agreements with CREIT in respect of 201 Chain Lake Drive and 209 Chain Lake Drive.

On July 27, 2004, Plazacorp acquired Tri-County Mall, a 56,019 square foot retail strip plaza located in Yarmouth, Nova Scotia for \$2.58 million.

On May 28, 2004, the Corporation purchased 2.3 acres of land in Madawaska Road in Grand Falls, New Brunswick. Construction commenced in the fall of 2004 on a 10,400 square foot retail strip centre and is expected to be completed in the spring of 2005.

On May 13, 2004, the Corporation purchased 62 acres of land in Miramichi, New Brunswick. 28 acres of land surplus to future development requirements was subsequently sold and the remaining land is held for future development. The Corporation will construct a 40,000 square foot retail plaza and a 20,000 square foot retail plaza as part of the development of a new power centre in Miramichi.

On August 31, 2004, the Corporation entered into a 20 year renewable land lease for 3 acres of land on Major Brook Drive in Saint John, New Brunswick. Construction of Phase I included a 6,446 square foot retail pad was completed in the spring of 2005. Construction on Phase II has commenced and is expected to be complete in the fall of 2005. Total square footage for this property including the retail pad is 27,925 square feet.

### **Acquisitions and Development Activity Subsequent to October 31, 2004**

In December 2004, Plazacorp acquired three parcels of land for development of the following: a 48,225 square foot retail strip centre in Dieppe/Moncton, New Brunswick, a 17,036 square foot retail strip property located in New Glasgow, Nova Scotia and a 21,463 square foot retail property located in Antigonish, Nova Scotia. The total consideration paid for the land parcels is \$3.36 million and construction on the properties commenced in January 2005.

On December 1, 2004, the Company acquired a 25% interest in Gateway Mall Sussex, New Brunswick, a 142,319 enclosed shopping mall, through the purchase of shares and loans outstanding for \$288 thousand and the guarantee of \$1.05 million in mortgage debt payable to a Canadian chartered bank.

In February 2005 the Corporation commenced construction on a 29,654 square foot two story property on excess land on its Tacoma Plaza site.

On May 2, 2005, the Corporation acquired two acres of land in Bathurst, New Brunswick. The Corporation intends to construct a 25,000 square foot strip plaza on this site.

### **Outlook**

The Corporation intends to continue financing new acquisitions and developments through a combination of proceeds from the Corporation's dividend reinvestment plan (see "Selected Financial Information – Dividend Record and Policy"), partnership arrangements, debt and convertible debt financing as well as additional equity financing. Equity financing will most likely occur by the Corporation issuing shares as consideration for the acquisition of properties. Raising equity will only be contemplated if the subscription price is reasonable and fair to Plazacorp shareholders.

## **BUSINESS OF THE CORPORATION**

The Corporation acquires, develops and redevelops shopping malls and strip plazas throughout Atlantic Canada and Quebec. The Corporation has a diversified investment strategy that includes:

- a) development of new properties on behalf of exiting clients or in response to demand as established by pre-leasing a major portion of the proposed space;
- b) strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth; and,
- c) acquisition and redevelopment of well located but significantly depreciated shopping malls and strip plazas.

The Corporation's principal goal is to deliver a reliable and growing dividend to shareholders by investing only in properties that increase funds from operations per share. The Corporation also aims to increase shareholder value by enhancing the quality of the underlying properties and through strategic acquisitions, developments and redevelopments of retail real estate.

The Corporation's value creation process has four components:

- Property Acquisition and Development
- Leasing
- Financing
- Intensified Management

### **Property Acquisition and Development**

The Corporation continuously identifies and evaluates opportunities for the acquisition of various interests in retail real estate properties throughout Quebec and Atlantic Canada. The Corporation pursues acquisitions of properties or projects including: i) development of new properties; ii) strategic financial acquisitions of existing real estate; and, iii) purchase and re-development of significantly depreciated properties.

All potential acquisitions and developments are screened initially by management of the Corporation to determine their economic viability. The criteria used to evaluate such potential acquisitions or development includes a minimum net operating income or potential income and a minimum return on investment, as determined by management. Generally, potential acquisitions must offer a projected unlevered return on investment of 11% to 12% and depending on financing arrangements, targeted cash returns on equity invested of not less than 16%. In addition, all acquisitions or developments must exhibit strong potential for increased cash flow and contribute positively to funds from operations per share.

The Corporation is constantly monitoring the market for opportunities, which will meet its specific investment criteria. Often acquisitions that are not a good fit for the Corporation in one year may, as a result of changing economic and other factors, become a good fit for the Corporation later. Determining the right time to complete an acquisition often requires patience. Plazacorp management avoids purchasing assets simply to grow its portfolio and instead focuses on building a well-balanced property portfolio properly over time.

The Corporation generally targets primary enclosed malls or primary strip plazas in defined commercial areas where such commercial areas represent an entire small community or a defined subsection of a larger community.

Once a potential acquisition or development is identified, extensive due diligence is conducted. This due diligence procedure includes an overall assessment of the risks; such as, operating, leasing, financing, structural, and environmental. As part of this due diligence procedure the

Corporation's leasing, construction and property management teams concurrently put together a redevelopment or development plan for the property. The redevelopment or development plan consists of identifying base building work along with associated detailed cost estimates, identifying and applying a leasing strategy, and applying a timeline to the project. In addition, all applicable municipal permits and zoning must be in place.

For redevelopment properties, the plan generally involves making capital improvements to the properties to improve their visual appearance, functionality and conveniences for shoppers, including applying new facades and lighting, new parking facilities or configurations, improved access and signage. The operational efficiency of properties is often improved by upgrading the heating, ventilation, and air conditioning systems. In some instances unproductive enclosed malls are turned into strip plazas to maximize tenant exposure and reduce operating costs. The Corporation endeavours to secure long term leases with good quality tenants. The success of the Corporation in revitalizing retail space is due in a large part to the Corporation's ability to attract both regionally and nationally recognized retailers to its redevelopment projects.

New development projects must be must be substantially pre-leased prior to making any commitments to purchase the land. In many instances, the Corporation will take on these projects at the request of tenants who are interested in expanding in Quebec and Atlantic Canada. In other instances, the Corporation will use its market knowledge to identify a development opportunity and offer it to its existing customers or seek new customers who will agree to lease space in the new development.

### **Leasing and Property Management**

Plazafund entered into a management agreement ("Management Agreement") dated January 26, 1999, with Plaza Atlantic Limited ("Plaza Atlantic"), a corporation beneficially-owned by Earl Brewer, Michael Zakuta, directors of the Corporation and Paul Leger, a past director of the Corporation, whereby Plaza Atlantic was retained to provide property management and other property related services including leasing and marketing, acquisitions, financing, development and dispositions for the Corporation for its existing properties and properties to be acquired in the future. The Corporation, on the amalgamation of Plazafund and Plazacorp, assumed this management agreement.

Plaza Atlantic receives compensation based on the Corporation's assessment of industry standard fees, which compensation at present is as follows: (a) management fees in an amount equal to 5% of the gross operating receipts from the Corporation's properties; (b) leasing fees for new leases in an amount equal to the greater of (i) 4% of the base rent for each year or part thereof for the first five years and 2% of the base rent for the remaining five years of the term of the new lease and (ii) \$1.50 per square foot; (c) leasing fees for renewals in an amount equal to the greater of, (i) 2% of the base rent for each year of the lease term or part thereof for the first five years plus 1% of the base rent for each remaining year of the lease term, and (ii) \$1,000; (d) construction fees in an amount equal to 10% of the actual costs for tendering, pricing and supervising building and tenant leasehold improvements; (e) acquisition fees in an amount equal to 2% of the total cost of acquisitions; (f) development fees in an amount equal to 4% of the hard costs of the development project which includes all costs associated with the development of the project excluding soft costs such as acquisition fees, legal fees and financing fees, among others; (g) financing fees in an amount equal to ¼% of the aggregate financing obtained where an outside broker has been retained and ¾% where no outside broker

has been retained; and (h) disposition fees in an amount equal to 1½% of the selling price of the project. (i) Yearly land lease fees equal to 8.33 times 2% (j) Cost recovery of legal services at \$130 per hour. The Management Agreement had a 5-year term commencing May 1, 1999 and ending on April 30, 2004 and has automatically renewed for another five years and will continue to automatically renew every five years unless either party provides notice of their intention to terminate renewal of the Management Agreement.

Plaza Atlantic Ltd. has three offices located in Fredericton, Montreal, and Halifax. Staff of Plaza Atlantic have many years experience in managing retail properties in Quebec and Atlantic Canada and the staff takes a hands-on, entrepreneurial approach to property management that focuses on the following objectives: tenant relations, operating standards and realistic operating cost controls and a proactive approach to property maintenance programs.

Plaza Atlantic staff works closely with the Corporation's tenants to ensure the Corporation is meeting their needs and to foster and strengthen tenant relations. The leasing team has excellent relationships with many of Canada's leading retailers as evidenced by 86% of Plazacorp's consolidated gross revenue is derived from national and major regional tenants. The leasing strategy involves developing tenant mixes that are appropriate for each property, extending or strengthening existing leases by moving tenants to more appropriate locations within a property, and to lease vacant space and monitor overall occupancy levels.

Plaza Atlantic property management staff control property operating costs through economies of scale such as volume purchases, implementing preventative maintenance programs and paying close attention to detail.

## **Financing**

The Corporation ensures that each of its properties is financed appropriately at each stage of the development or redevelopment cycle in order to preserve equity and maximize return on capital.

The acquisition and development or redevelopment of properties is financed using both internal and external sources of capital. The Corporation has strong relationships with many leading financiers and financial partners that offer short-term financing, conventional mortgage financing, equity financing and conduit financing programs.

In 2000 and 2001 Plazacorp raised a total of \$5.05 million in 5-year 12% first mortgage bonds. The maturity date of these bonds were extended by Bondholder approval on October 29, 2003 to mature on June 20, 2008 and are redeemable by the company in tranches after June 20, 2005. As well, the investment guidelines were expanded to include second mortgage positions and the ability to invest in new development projects. These mortgage bonds provide a ready source of funds that allow purchases that are not conditional on financing, close more quickly and at better prices. Following redevelopment of the property, the mortgage bond financing is replaced with conventional long-term financing at lower interest rates.

The Corporation also raised \$5.0 million short-term capital through the issuance of 3 year 11% debentures in December 2001 to finance capital and tenant improvements and for general corporate purposes. These debentures were redeemed on September 28, 2004.

In May 2003, the Corporation also raised \$3.5 million in 5 year 9.5% convertible debentures to finance acquisition and redevelopment activities and for general corporate purposes. These debentures are convertible to Plazacorp common shares at \$1.00 per share. As at the date of this offering memorandum, \$2,150,000 of the \$3,500,000 have been converted to 2,150,000 common shares.

In December 2003, the Corporation raised \$5.0 million in 5 year 9.5% convertible debentures to finance acquisition and redevelopment activities and for general corporate purposes. These debentures are convertible to Plazacorp common shares at \$1.20 per share. As at the date of this offering memorandum, \$1,250,000 of the \$5,000,000 have been converted to 1,041,666 common shares.

In June 2004, the Corporation raised \$10 million in 5 year 8.5% convertible debentures to finance acquisition and redevelopment activities, to retire the 11% debentures issued in December 2001, and for general corporate purposes. These debentures are convertible to Plazacorp common shares at \$1.60 per share. As at the date of this annual information form, none of these debentures have been converted.

In February 2005, the Corporation raised \$7.5 million through a first tranche of a \$10 million 8.5% mortgage bond offering. The mortgage bonds carry a term of 5 years plus one month and are redeemable up to one half on the third and fourth anniversaries of the first closing date of the Mortgage Bonds. The remaining \$2.5 million can be closed in subsequent tranches at the discretion of the Corporation but should close no later than February 28, 2006. These mortgage bonds provide a ready source of funds that allow purchases that are not conditional on financing, close more quickly and at better prices. Following development or redevelopment of the property in which the mortgage bond funds are invested, the mortgage bond financing is replaced with conventional long-term financing at lower interest rates.

The Corporation also finances property acquisitions through joint ventures whereby the Corporation will align itself with a growing number of financial partners. These joint ventures allow Plazacorp to manage the development risk and maximize returns on redevelopment projects.

In certain circumstances, the Corporation utilizes share capital to partially finance acquisitions. Using share capital may provide significant tax advantages for the vendor and preserves the Corporation's cash for investment in other projects.

## Properties

As of October 31, 2004, the Corporation held an interest in 44 retail properties and one land held for development in Quebec, New Brunswick, Nova Scotia and Prince Edward Island and included . As at May 11, 2005 the company held interests in 51 properties (including land held for development) comprising a total of approximately 3.2 million square feet of leaseable area.

The following table summarizes certain aspects of each of the properties:

Property/ Project	Location	Date Acquired (or completion of Development)	Total Leaseable Area (sq. ft.)	Ownership Interest as at date of this Offering memorandum (%)	Occupancy Rate as at October 31, 2004 (%)	Major Tenant(s)
<b>Quebec</b>						
Les Galeries Montmagny	West Tache, Montmagny, QC	September 1, 2000	134,171	50%	98.8%	Uniprix Maxi Hart
Plaza Hotel de Ville	Rivière-du-Loup, QC	September 1, 2000	20,479	100%	84.4%	Yellow Bouclair
Plaza Super C	Shawinigan, QC	March 30, 1999	130,181	100%	95.6%	Super "C" Rossey L'Aubainerie
Les Promenades St. Francois	Laval , QC	October 29, 1999	55,332	50%	98.0%	Videotron Pharmacie Jean Coutu Caisse Populaire
Bureau en Gros	Granby, QC	July 31, 2000	25,695	50%	100%	Staples
Centennial Plaza	Dollard-des-Ormeaux, QC	February 28, 2001	154,522	10% of partnership units+ 20% residual interest	96.3%	Pharmacie Jean Coutu
Place du Marche	Dollard-des-Ormeaux, QC	February 28, 2001	35,264	10% of partnership units+ 20% residual interest	90%	Starbucks Laurentian Bank
Plaza Theriault	Rivière-du-Loup, QC	September 1, 2000 (50%) May 1, 2001 (50%)	25,780	100%	100%	Banque Nationale Burger King
Bureau en Gros	Rimouski QC	September 28, 2001	25,771	50%	100%	Staples
Terrace Dufferin	Valleyfield, QC	December 4, 2001	17,567	50%	100%	Videotron Mike's Restaurant

Property/ Project	Location	Date Acquired (or completion of Development)	Total Leaseable Area (sq. ft.)	Ownership Interest as at date of this Offering memorandum (%)	Occupancy Rate as at October 31, 2004 (%)	Major Tenant(s)
Les Promenades du Cuivre	Rouyn-Noranda, QC	August 29, 2002	124,442	10% of partnership units+50% residual interest in cash flow	94.4%	Metro Uniprix Hart
Marche De L'Ouest	Dollard des Ormeaux, QC	June 25, 2003	122,778	20%+ 30% of residual cash flow	87.6%	IGA
Carrefour des Seigneurs	Terrebonne, QC	December 2003	34,153	25% interest in the property plus 10% interest of Centennial Plaza Limited Partnership's 50% ownership interest in the property.	87.3%	Pharmacie Jean Coutu
<b>New Brunswick</b>						
Exhibition Plaza	Saint John, NB	May 1, 1999	74,800	55%	96.8%	Empire Theatres Marks Work Warehouse
Nashwaaksis Plaza	Fredericton, NB,	July 1, 2001	57,218	100%	98.1%	Atlantic Superstore (tenant owned) Dollarama CIBC
Grand Falls Shopping Mall	Grand Falls, NB	May 1, 1999	149,620	100%	96%	Atlantic Superstore Dollarama Shoppers Drug Mart
Wedgewood Plaza	Riverview, NB	May 1, 1999	12,768	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	May 28, 1999	24,366	100%	100%	Cleve's Sporting Goods Bulk Barn
Lansdowne Place	Saint John, NB	March 31, 2000	202,359	50%	94.6%	Zellers Shoppers Drug Mart Speigal Group Dollarama
Oromocto Mall	Oromocto, NB	October 20, 2000	84,972	100%	98.4%	Atlantic Superstore (tenant owned) Shoppers Drug Mart Dollarama

Property/ Project	Location	Date Acquired (or completion of Development)	Total Leaseable Area (sq. ft.)	Ownership Interest as at date of this Offering memorandum (%)	Occupancy Rate as at October 31, 2004 (%)	Major Tenant(s)
McAllister Drive Plaza	Saint John, NB	September 1, 2001	19,275	55%	100%	Cleve's Sporting Goods McDonalds Restaurant
Business Depot	Saint John, NB	May 1, 1999	25,293	100%	100%	Staples
SCA Plaza	Saint John, NB	July 31, 2002	17,430	55%	100%	Bulk Barn Great Canadian \$
Empire Plaza	Fredericton, NB	June 25, 2003	13,743	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	August 20, 2003	19,560	100%	100%	Marks Work Warehouse Dollarama
Northwest Centre	Moncton, NB	June 25, 2003	175,431	10%	94.1%	Zellers Atlantic Fabrics Princess Auto Sobey's (tenant owned)
681 Mountain Road	Moncton, NB	March 12, 2004	18,890	100%	100%	Shoppers Drug Mart
Boulevard Plaza	Moncton, NB	March 2, 2004	82,802	100%	100%	Winners Michaels
Main Place	Fredericton, NB	September 1, 2004	31,247	100%	100%	Shoppers Drug Mart
Madawaska Road Plaza	Grand Falls, NB	May 28, 2004	10,400	100%	100% (1)	Pizza Delight Tim Hortons
Majors Brook Drive	Saint John, NB	August 31, 2004	27,925	100%	100% (1)	N/A
Champlain Street Plaza	Dieppe/Moncton, NB	December 23, 2004	48,255	100%	N/A (1)	N/A
Gateway Mall	Sussex, NB	December 1, 2004	142,319	25%	98.8% (2)	Zellers Atlantic SuperValu
Miramichi Power Centre	Miramichi, NB		40,000	100%	N/A(1)	N/A (1)
To be named	Bathurst, NB	May 2, 2005	25,000	100%	N/A(1)	N/A (1)

Property/ Project	Location	Date Acquired (or completion of Development)	Total Leaseable Area (sq. ft.)	Ownership Interest as at date of this Offering memorandum (%)	Occupancy Rate as at October 31, 2004 (%)	Major Tenant(s)
<b>Nova Scotia</b>						
Staples Plaza	Dartmouth, NS	October 4, 2000	156,817	50%	97.2%	Staples Penningtons Reitmans Bank of Montreal
Staples Plaza	New Glasgow, NS	August 1, 2001	33,753	100%	100%	Staples Cleve's Sporting Goods
Tacoma Centre	Dartmouth, NS	March 28, 2002	165,991	100%	91.4%	Canadian Tire Royal Bank Dollarama
Commercial St. Plaza	New Minas, NS	June 25, 2003	15,332	100%	100%	Swiss Chalet
V-8 Plaza	New Glasgow, NS	November 1, 2003	13,400	100%	100%	Dollarama Swiss Chalet
209 Chain Lake Drive	Halifax, NS	December 8, 2003	85,453	50%	100%	Dollarama Bank of Nova Scotia Value Village
201 Chain Lake Drive	Halifax, NS	April 14, 2004	118,498	100%	83.4%	Home Outfitters McDonald's Restaurant
Welton Street Plaza	Sydney, NS	March 15, 2004	20,975	100%	100%	Dollarama Bulk Barn
Tri-County Mall	Yarmouth, NS	July 27, 2004	56,019	100%	87.1%	Shoppers Drug Mart Empire Theatres
East River Road Plaza	New Glasgow, NS	December 16, 2004	17,036	100%	100% (1)	N/A
301 Main Street Plaza	Antigonish, NS	December 23, 2004	21,463	100%	100% (1)	N/A
Tacoma Valley Field	Dartmouth, NS		29,654	100%	N/A(1)	N/A (1)

Property/ Project	Location	Date Acquired (or completion of Development)	Total Leaseable Area (sq. ft.)	Ownership Interest as at date of this Offering memorandum (%)	Occupancy Rate as at October 31, 2004 (%)	Major Tenant(s)
<b>Prince Edward Island</b>						
University Plaza	Charlottetown, PEI	September 1, 2000	62,046	43%	100%	Bargin Shop Dollarama East Side Mario's
Belvedere Plaza	Charlottetown, PEI	September 1, 2000	77,266	60%	100%	Atlantic Superstore (tenant owned) Marks Work Warehouse The Brick  Indigo
Granville Street Plaza	Summerside, PEI	September 1, 2000	67,916	60%	89.6%	Canadian Tire (tenant owned) Dollarama Shoppers Drug Mart (tenant owned) Marks Work Warehouse
Spring Park Plaza	Charlottetown, PEI	September 1, 2000	51,386	85%	90.4%	Co-op Food Value Village Fabricville

Notes: (1) Property currently under redevelopment. Occupancy based on pre-leasing in place.

(2) Occupancy based on occupancy in place on acquisition date.

## SELECTED FINANCIAL INFORMATION

### Annual Financial Information

The following selected financial information has been derived from the audited consolidated financial statements of the Corporation for the fiscal years ended October 31, 2004, 2003 and 2002. The information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Operating Results and the Annual Financial Statements and accompanying notes of the Corporation contained in the Corporation's 2004 Annual Report. Please note that certain figures for 2003 have been restated – see Note 2-l of the Notes to the Consolidated Financial Statements in the 2004 Annual Report.

	Fiscal Year Ended		
	October 31, 2002	October 31, 2003	October 31, 2004
	(audited \$) (000's except per share amounts)		
<b>OPERATING RESULTS</b>			
Revenue.....	19,600	20,779	25,253
Net operating income.....	11,398	11,537	13,981
Net income.....	399	732	2,427
Net income per share			
basic.....	0.014	0.024	0.077
fully diluted.....	0.014	0.023	0.075
Funds from Operations ("FFO") after minority interest and adjusted for non-operating and non-recurring items. (FFO is a non-GAAP measure as explained in the Management Discussion and Analysis in 2004 Annual Report).	3,843	3,890	4,551
Funds from operations ("FFO") per share after minority interest and adjusting for non-operating and non-recurring items (FFO is a non-GAAP measure as explained in the Management Discussion and Analysis in 2004 Annual Report).			
basic.....	0.119	0.130	0.144
fully diluted.....	0.119	0.122	0.136
<b>FINANCIAL POSITION</b>			
Total assets.....	105,358	114,995	137,885
Long term debt.....	82,013	90,997	107,054
<b>SHAREHOLDERS' EQUITY</b>			
Total shareholders' equity.....	16,986	15,546	18,022

## **Dividend Record and Policy**

On September 17, 2002, the Corporation announced a dividend policy to provide for an annual \$0.08 per common share dividend, payable quarterly. In January 2004 the Corporation announced an increase in the annual dividend to \$0.09 per common share, payable quarterly and in November 2004, Plazacorp's Board of Directors announced a further increase in its dividend policy by increasing its regular annual dividend to \$0.105 per share payable quarterly. There were no dividends paid during the fiscal year ended October 31, 2002. During the fiscal year ended October 31, 2004 and up to May 16, 2005 dividends were declared and paid (will be paid) as follows:

<b>Record Date</b>	<b>Payment Date</b>	<b>Amount per common share</b>
October 15, 2003	November 14, 2003	\$0.02
January 15, 2004	February 13, 2004	\$0.0225
April 16, 2004	May 14, 2004	\$0.0225
July 15, 2004	August 16, 2004	\$0.0225
October 15, 2004	November 15, 2004	\$0.0225
January 15, 2005	February 15, 2005	\$0.02625
April 15, 2005	May 16, 2005	\$0.02625

In December 2002, the Corporation announced the implementation of a dividend reinvestment plan. The plan will enable shareholders to reinvest dividends that they receive in additional common shares of the Corporation. Participants in the plan will also be entitled to receive a 3% bonus on amounts reinvested to be paid in additional common shares of the Corporation. Shares purchased under the plan will be priced at the weighted average closing price of the common shares of the Corporation on the previous 20 trading days. During the fiscal year ended October 31, 2004 the company issued 97.7 thousand shares under the dividend reinvestment plan for consideration of \$119 thousand at an average price per share issued of \$1.2188 per share.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS**

Reference is made to the information contained under the heading "Management's Discussion and Analysis" contained in the Corporation's 2004 Annual Report, which information is specifically incorporated by reference herein.

## **MARKET FOR SECURITIES**

The common shares of the Corporation are listed and posted for trading on the TSX Venture Exchange and trade under the stock symbol "PLZ".

## MANAGEMENT OF THE CORPORATION

### Directors, Executive Officers and Management of the Corporation

The names, municipality of residence, positions held with the Corporation and principal occupations within the previous five years of the current directors and executive officers of the Corporation are as follows:

<b>Name and Municipality of Residence</b>	<b>Position(s) held with the Corporation</b>	<b>Director Since</b>	<b>Principal Occupation During Past Five Years</b>	<b>Common Shares Beneficially Owned or controlled as May 11, 2005</b>
Earl A. Brewer Fredericton, New Brunswick (3)	Director and Chairman of the Board	1999	Chairman, Plazacorp Retail Properties Ltd., Chairman of Greenarm Management Ltd., and Secretary and Principal of Greenarm Corporation.	5,100,145 (14.37%) (4)
Michael A. Zakuta Beaconsfield, Quebec (3)	Director, President and Chief Executive Officer.	1999	President and Chief Executive Officer of Plazacorp Retail Properties since April 2005. Previously, Vice President of Plazacorp Retail Properties Ltd. and Plaza Atlantic Limited. Real estate developer and entrepreneur since 1986 through various private companies of which he is a principal shareholder and officer.	7,785,413 (21.93%) (6)
Richard Hamm, Toronto, Ontario (2)(3)	Director	1999	Principal of Stepp Three Holdings Ltd. and Partner in Bluewater/Chescott Investment Management Ltd. Previously, President and Chief Executive Officer of Plazacorp Retail Properties Ltd from May 2002 to April 2005.	5,866,532 (16.53%) (5)
Stephen Johnson Toronto, Ontario (1)(2)	Director	1999	President and CEO of Canadian Real Estate Investment Trust.	175,000 (<1%) (7)
Edouard F. Babineau, Charlottetown, Prince Edward Island (1)	Director	April 21, 2004	President and CEO of Babineau Holdings Ltd.	N/A (8)

<b>Name and Municipality of Residence</b>	<b>Position(s) held with the Corporation</b>	<b>Director Since</b>	<b>Principal Occupation During Past Five Years</b>	<b>Common Shares Beneficially Owned or controlled as May 11, 2005</b>
Willard J. L'Heureux, Toronto Ontario (1) (2)	Director	April 21, 2004	President and CEO of A'Postrophe Capital Partners Ltd.	N/A (9)
Barbara Trenholm, FCA Fredericton, New Brunswick (1)	Director	March 1, 2005	Professor at the University of New Brunswick Faculty of Administration. Board member of Atomic Energy of Canada and Canadian Institute of Chartered Accountants. Member of the Institute of Corporate Directors.	N/A
Peter Sheehan Fredericton, New Brunswick	Chief Financial Officer	N/A	Chief Financial Officer of Plazacorp Retail Properties Ltd. since 2001. Director of Finance and Administration of Plaza Atlantic Limited since 2001. Previously President of Plaza N.S. Ltd. from 1999 to 2001 and principal of Kelsey Properties from 1992 to 1999.	125,152
Jamie Petrie Fredericton, New Brunswick	Secretary and Corporate Counsel	N/A	Secretary and Corporate Counsel of Plazacorp Retail Properties since 2004. Previously partner with Stewart McKelvey Stirling Scales	N/A

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee
- (3) Member of Management and Reporting Committee
- (4) Earl Brewer, Chairman of the Corporation, owns beneficially 5,100,145 (14.37%) Common Shares including his proportionate share interest in B.D.C. Developments Ltd. (of which Mr. Brewer owns 32.2904%), and 1,379,565 Common Shares owned directly or through controlling interest in other registered Shareholders of the Corporation. Earl Brewer owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 262,500 Common Shares at any time.
- (5) Richard Hamm's shareholdings above include Common Shares owned by Alexandra Offspring Inc., a company related to Richard Hamm. Alexandra Offspring Inc. owns 1,210,684 common shares or 3.41%. Mr. Hamm owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 333,333 Common Shares at any time.
- (6) Michael Zakuta owns or controls beneficially 7,785,413 (21.93%) Common Shares; including, his proportionate share interest in B.D.C. Developments Ltd.(of which Mr. Zakuta owns or controls 49.086%), and 2,459,470 Common Shares held either directly or indirectly through his controlling or proportionate share interest in other registered Shareholders of the Corporation. Michael Zakuta owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 1,075,417 Common Shares at any time.

- (7) Stephen Johnson owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 96,875 Common Shares at any time
- (8) Edouard Babineau owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 395,833 Common Shares at any time.
- (9) Willard L'Heureux owns or controls an investment in various series of Plazacorp Convertible Debentures which may be convertible to 322,917 Common Shares at any time.

Each director of the Corporation will hold office until the close of next annual meeting of shareholders of the Corporation or until such director's successor is duly elected or appointed.

### **Employees**

The Corporation has five employees which carry out corporate responsibilities such as corporate accounting, corporate finance, and investor relations activities. The day to day management of the properties including property accounting, operations, leasing, financing, acquisition and development functions are carried out by Plaza Atlantic Ltd., See "Business of the Corporation – Property Management".

### **SHAREHOLDINGS**

As at the date of this AIF, May 11, 2005, the directors and executive officers of the Corporation as a group, owned, directly or indirectly, or exercised control or direction over, 19,052,242 common shares of the Corporation, representing approximately 53.6% of the issued and outstanding common shares before consideration of convertible debentures. Should all convertible debentures be converted, including those held by directors and executive officers, the combined beneficial ownership would be approximately 45.3% of the total potential issued and outstanding common shares

### **Conflicts of Interest**

The Corporation has entered into a Management Agreement dated January 26, 1999 with Plaza Atlantic Limited, a corporation owned directly and indirectly by Earl Brewer (Director and Chairman of Plazacorp Retail Properties Ltd.), Paul Leger (Former Director of Plazacorp Retail Properties Ltd.) and Michael Zakuta (Director and President and Chief Executive Officer of Plazacorp Retail Properties Ltd.), whereby Plaza Atlantic Limited has been retained to provide property management and other property related services including leasing and marketing, acquisitions, financing, development and dispositions for the Corporation. During the year ended October 31, 2004, \$3,067,569 in fees were paid to Plaza Atlantic Limited. The fees billed by Plaza Atlantic Limited were at competitive market rates. Plaza Atlantic Limited subcontracts some of its duties under the Management Agreement between the Corporation and Plaza Atlantic Limited with Les Immeubles Plaza Z-Corp Inc., a company controlled by Michael Zakuta. Details of the fees structure under the Management Agreement can be found in "Business of the Corporation – Property Management" and in the Corporation's Consolidated Financial Statements for the year ended October 31, 2004 and the Management Discussion and Analysis which are filed under SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS**

There are certain risks inherent in the activities of the Corporation, which investors should carefully consider before investing, including the following:

### **Real Property Ownership**

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, such as availability of long term mortgage funds, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants.

### **Tenant Termination Rights and Financial Stability**

The Corporation's income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Corporation's properties were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Corporation than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Corporation's investment may be incurred. Furthermore, at any time, a tenant of any of the Corporation's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the Corporation. The ability to rent unleased space in the properties in which the Corporation has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the Corporation's financial condition.

### **Fixed Costs**

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made by the Corporation throughout the period of its ownership of its properties regardless of whether the property is producing any income. If the Corporation is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

### **Liquidity**

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

## **Financing Risks**

The Corporation will be subject to the risks associated with debt financing, including the risk that the Corporation's existing mortgages will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

## **Jointly Owned Property**

The Corporation jointly owns certain properties. In making such joint ownership investments, there is a risk that the Corporation may incur a loss if a co-owner is unable to fulfill its obligations to the Corporation.

## **Competition**

The Corporation competes for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) which are seeking or may seek real property investments similar to those desired by the Corporation. An increase in the availability of investment funds and an increase in interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them.

Numerous other developers, managers and owners of properties compete with the Corporation in seeking tenants. Some of the properties of the Corporation's competitors are better located or less levered than the Corporation's properties. Some of the Corporation's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for the Corporation's tenants could have an adverse effect on the Corporation's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the Corporation's revenues and its ability to meet its debt obligations.

However, the Corporation believes that its portfolio of well located and well managed real estate puts the Corporation in a good position vis a vis its competitors for tenants. The Corporation believes that its local market knowledge, relationships with key retailers and financiers and development expertise put it at a distinct competitive advantage in its market niche.

## **General Uninsured Losses**

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

### **Interest Rate Fluctuations**

The Corporation's financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Corporation's cost of borrowing.

### **Access to Capital**

The real estate industry is highly capital intensive. The Corporation will require access to capital to maintain its properties and to fund its growth strategy. There is no assurance that capital will be available when needed or on favourable terms.

### **Environmental Matters**

As an owner of real property, the Corporation will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Corporation could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Corporation's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Corporation. The Corporation is not aware of any material non-compliance with environmental laws at any of its properties. The Corporation is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties. The Corporation has adopted an environmental management program, including policies and procedures to review and monitor environmental matters associated with its properties. The Corporation's environmental policy includes a requirement to obtain a Phase I environmental assessment and, if appropriate, a Phase II assessment conducted by an independent and experienced environmental consultant before acquiring a property. In addition, where necessary and indemnities are not in place, the Corporation has environmental insurance on its properties, with coverage of environmental claims by third parties, cost of clean up, remediation and legal defence, subject to normal qualifications.

Asbestos-containing material ("ACM") is known to be present at a limited number of the Corporation's Properties. The Corporation is aware of the presence of polychlorinated biphenyls ("PCBs") in transformers at certain of its properties, the majority of which are owned by the relevant public utility. The Corporation is also aware of the residual presence of dry-cleaning fluid ("PERC") at one property which was the subject of an intensive remediation effort by the former owner. The Corporation intends to manage such ACMs, PCBs and PERC in accordance with applicable laws and, provided such laws do not become materially more stringent, the future costs of ACM abatement, ACM and PCB removal and containment or PERC monitoring will not be material to the financial position of the Corporation.

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

### **Potential Conflicts of Interest**

The Corporation may be subject to various conflicts of interest because of the fact that its directors and management of the Corporation, are engaged in a wide range of real estate and other business activities.

The directors, the management of the Corporation, may from time to time deal with persons, firms, institutions or corporations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. In such circumstances, the interests of the directors, the management of the Corporation could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities.

### **Acquisition and Expansion**

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

## **ADDITIONAL INFORMATION**

Additional information, including Corporation's and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, as applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders. Additional financial information is provided in the Corporation's comparative financial statements for the year ended October 31, 2004. A copy of such documents may be obtained upon request from the Secretary of the Corporation.

The Corporation will also provide to any person upon request to the Secretary of the Corporation:

- (a) when common shares are in the course of a distribution pursuant to a prospectus or when a preliminary prospectus has been filed in respect of a distribution of Units,
  - (i) one copy of the Corporation's Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
  - (ii) one copy of the comparative financial statement of the Corporation for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of the Corporation subsequent to the financial statements for its most recently completed financial year;
  - (iii) one copy of the Corporation's information circular in respect of its most recent annual meeting of the shareholders that involved the election of directors or one

copy of any annual filing prepared in lieu of that information circular, as appropriate; and

- (iv) one copy of any other document that is incorporated by reference into the preliminary prospectus or the prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other document referred to in (a)(i), (ii) and (iii) above, provided the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder.