

Digging Deeper

January 11, 2007
Calgary, Alberta

Cameron Renkas, CFA
(403) 515-1550
cameron.renkas@bmo.com

A Perspective on U.S. Flow-Through Structures

In support of its decision to tax trusts, the Department of Finance (DoF) stated that other countries (in particular the U.S. and Australia) had previously taken steps to shut down similar flow-through structures. We do not believe that this is an entirely accurate description. In the U.S., there are approximately 214 publicly traded flow-through entities, including master limited partnerships (MLP), limited liability corporations (LLC) and trusts, with a combined market cap of over \$465 billion. In this report, we provide some background on flow-through structures in the U.S. We also look at how U.S. flow-through valuations compare to Canadian trusts. In our opinion, these U.S. flow-through entities could become acquirers of Canadian trust assets over the coming years given the former's significant cost of capital advantage and the suitability of the Canadian trust assets for their structure.

In our view, U.S. flow-through structures are essentially the same as Canadian trusts. The majority of pre-tax income is passed through to individual investors in the form of distributions and each investor pays personal tax on his or her distributions. While the income of these entities must come from specified sources to qualify, the definition of these sources covers a broad range of industries, including oil and gas (production, transportation and refining), mining, fertilizer, propane distribution, timber and real estate.

On average, U.S. flow-through structures trade at higher valuations than comparable Canadian trusts. In the oil and gas production sector, U.S. flow-through entities trade at an average 9.4x EV/EBITDA multiple and a 9.9% yield versus the 6.5x multiple and 14.2% yield of the Canadian royalty trusts. The difference is nearly as wide in the pipeline/infrastructure sector with U.S. flow-through structures trading at a 2.9x multiple premium to their Canadian counterparts and at a 350 basis point lower yield.

U.S. tax policy has allowed the flow-through structure to continue to develop in several defined industries. Recent actions have been taken to allow investment in the sector by mutual funds and tax-exempt investors. In contrast to the U.S., Canada seems to be moving in the opposite direction.

Table of Contents

Introduction	2
Background	2
Expanding Investor Base	3
Valuations of U.S. Flow-Through Structures.....	4
Conclusion.....	5
Appendix A	6

Introduction

In support of its decision to tax trusts, the Department of Finance (DoF) stated that other countries (in particular the U.S. and Australia) took steps to shut down similar flow-through structures. We do not believe that this is an entirely accurate description. In the U.S., there are approximately 214 publicly traded flow-through entities, including master limited partnerships (MLP), limited liability corporations (LLC) and trusts, with a combined market cap of over \$465 billion. While the income of these entities must come from specified sources to qualify, the definition of these sources covers a broad range of industries, including oil and gas (exploration, production, transportation and refining), mining, fertilizer, propane distribution, timber and real estate.

In our view, U.S. flow-through structures are essentially the same as Canadian trusts. The majority of pre-tax income is passed through to individual investors in the form of distributions and each investor pays personal tax on his or her distributions. Capital gains and losses, deductions and credits are passed through to investors to reduce personal taxes.

In this report, we provide some background on flow-through structures in the U.S. We also look at how U.S. flow-through valuations compare to Canadian trusts. In our opinion, these U.S. flow-through entities could become acquirers of Canadian trust assets over the coming years given the former's significant cost of capital advantage and the suitability of the Canadian trust assets for their structure. We believe the sectors most likely to see transactions would be the energy and resource related trusts.

Background

Following the introduction of the first U.S. MLP in 1982, the structure expanded rapidly in the oil and gas, real estate and forestry industries. In 1986, MLPs began appearing in a wide range of areas, including restaurants, sports teams, agriculture, motion pictures, amusement parks, water transportation, health and construction. By the end of the year, there were 81 MLPs listed on U.S. stock exchanges with total assets of approximately \$17 billion¹.

In 1987, the Revenue Act amended the U.S. tax code to require any publicly traded partnership to receive 90% of its income from qualifying sources (Page 3); otherwise it would be treated as a corporation for tax purposes. However, unlike the four-year transition period provided to Canadian trusts, existing publicly traded partnerships that did not meet the requirements were given a 10-year transition period until December 31, 1997, to meet the test before being taxed as corporations. We note that during the transition period, there were no restrictions imposed on partnerships expanding within their existing lines of business or into businesses that generated qualifying income. Expansion into a new business that generated non-qualifying income and was not closely related to the existing business was not allowed to exceed 15% of either gross income or assets².

¹ Susan Nelson and Joann Martens, "Master Limited Partnerships: A View From Their 1986 Tax Returns," U.S. Treasury Department OTA Paper 63, May 1989.

² U.S. Treasury Regulation: Section 1.7704-2.

When the transition period ended in 1997, the Taxpayer Relief Act extended the exemption for partnerships that did not meet the qualifying income requirements indefinitely so long as these “grandfathered” partnerships paid a 3.5% tax on their gross income.³

Qualifying income includes⁴:

- interest;
- dividends;
- real estate rents;
- gain from the sale or disposition of real property;
- income and gain from commodities or commodity futures; and
- income and gain from mineral or natural resources activities, including exploration, development, production, mining, refining (including fertilizers), and marketing and transportation (including pipelines) of oil and gas, minerals, geothermal energy, or timber.

As a result of these qualifying sources of income, the U.S. flow-through market is largely focused in the natural resource and real estate sectors. In total, there are currently about 214 publicly traded flow-through entities with a combined market cap of over \$465 billion. There are also four IPOs currently filed totalling \$1.2 billion. Many corporations have spun assets into flow-through structures in order to capture a higher valuation for those assets, particularly in the pipeline/infrastructure sector. While newly formed companies can be structured as flow-through entities from inception, unfavourable tax consequences generally make full conversion of existing corporations unappealing.

A rapidly expanding area for U.S. flow-through structures is the upstream oil and gas sector. There have been three oil and gas LLCs formed since the start of October and one other IPO currently filed. We understand that there are also a number of new IPOs in the pipeline not yet filed.

Expanding Investor Base

Similar to the early days of the Canadian trust market, the majority of the investment in the U.S. flow-through sector has been from retail investors. Until recently, mutual funds in the U.S. were limited in their participation in the sector due to qualifying income restrictions. However, in October 2004, the American Jobs Creation Act amended Section 851(b) of the U.S. Internal Revenue Code to include a provision to characterize distributions from publicly traded partnerships as qualifying income. Since then, a number of closed-end funds have emerged that invest primarily (or entirely) in flow-through entities. There are some restrictions on mutual fund investment: 1) no more than 25% of a mutual fund’s assets can be invested in MLPs; and 2) a mutual fund cannot own more than 10% of any single MLP.

³ U.S. Internal Revenue Code: Section 7704(g)(3).

⁴ U.S. Internal Revenue Code: Section 7704(d).

Tax-exempt investors in the U.S. (such as IRAs and pension funds) have generally avoided investing in the flow-through sector because, for them, distributions are considered unrelated business taxable income (UBTI). Tax-exempt entities are subject to tax on UBTI of more than \$1,000 unless from exempt sources (interest, rent, royalties and dividends). However, a vehicle known as i-units (“i” for institutional) has emerged, which is similar in most respects except that distributions are paid in stock rather than cash. The distributions are treated as stock splits for tax purposes, not as UBTI. As a result, i-units can be owned by tax-exempt investors without penalty.

In contrast to the U.S., Canada seems to be moving in the opposite direction. Rather than encouraging and expanding investment in mature industries through flow-through entities, it is proposing to reduce the attractiveness.

Valuations of U.S. Flow-Through Structures

On average, U.S. flow-through structures trade at much higher valuations than comparable Canadian trusts (Table 1). In the oil and gas production sector, U.S. flow-through entities currently trade at an average 9.4x EV/EBITDA multiple and a 9.9% yield versus the 6.5x multiple and 14.2% yield of the Canadian royalty trusts. The difference is about as wide in the pipeline/infrastructure sector, with U.S. flow-through structures trading at a 2.9x multiple premium to their Canadian counterparts and at a 350 basis point lower yield.

U.S. REITs also trade at premium valuations to Canadian REITs—22.3x AFFO multiple and 3.6% yield compared with 17.5x and 5.8% for Canadian REITs. Our REIT analyst Karine MacIndoe attributes the U.S. REIT premium to: 1) generally higher quality assets; 2) stronger growth profiles; 3) lower payout ratios; and 4) higher liquidity.

We believe that the cost of capital advantage will likely result in U.S. flow-through entities becoming active acquirers of Canadian trust assets, particularly in the energy and resource-related sectors.

**Table 1: Valuation
Comparable Table**

	Yield	EV/EBITDA
Canadian Oil & Gas Royalty Trusts	14.2%	6.5x
U.S. Oil & Gas Flow-Through	9.9%	9.4x
Canadian Pipeline/Infrastructure Trusts	9.3%	10.9x
U.S. Pipeline/Infrastructure Flow Through	5.8%	13.8x
	Yield	AFFO Multiple
Canadian REITs	5.8%	17.5x
U.S. REITs	3.6%	22.3x

Source: Baseline, BMO Capital Markets

In the appendix of this report, we have included a comprehensive valuation comparable table of the U.S. flow-through sector. Our REIT research team has provided its U.S. REIT comparable table.

Conclusion

The U.S. allows many industries to operate and grow within flow-through structures. Looking at the size and scope of the U.S. flow-through market and the recent actions of the U.S. government, this appears likely to continue.

In our opinion, flow-through structures encourage investment in mature businesses or industries. Without attractive reinvestment options, many of these businesses would otherwise have their capital trapped without an efficient use. This can often lead to poor investment decisions. The flow-through structure provides a tax-efficient vehicle to pass through excess cash flow from mature businesses to investors who can then: 1) reallocate this capital to higher growth investments; 2) spend it, causing higher levels of economic activity; or 3) use it to increase their savings. The structure also satisfies the growing demands of an aging population for high yielding investment options. U.S. tax policy makers have allowed this structure to grow within certain industries. In contrast, Canada seems to be moving in the opposite direction.

While we have yet to fully investigate the Australian market, we understand that the tax changes for trusts were part of a broader revamp of the Australian tax code to better integrate personal and corporate taxes. Only a three-year transition period was provided for Australian trusts, but exclusions were given to both real estate and resource trusts.

Appendix A

Table A1: U.S. Flow-Through Comparable Table

			Jan-5	Units O/S	Mkt Cap	Indicated	Indicated	Payout	EV/
			Price	('000s)	(US\$mm)	CDPU	Yield	Ratio	EBITDA
Energy: Oil and Gas Production									
BreitBurn Energy Partners, L.P.	NASDAQ	BBEP	\$23.79	21,976	\$522.8	na	na	na	na
BP Prudhoe Bay Royalty Trust	NYSE	BPT	\$73.89	21,400	\$1,581.2	\$10.38	14.0%	114%	8.1x
Constellation Energy Partners LLC	NYSE	CEP	\$24.54	na	na	na	na	na	na
Cross Timbers Royalty Trust	NYSE	CRT	\$45.55	6,000	\$273.3	\$3.38	7.4%	88%	11.8x
Dorchester Minerals, L.P.	NASDAQ	DMLP	\$21.23	28,240	\$599.5	\$2.06	9.7%	85%	8.5x
Dominion Resources Black Warrior Trust	NYSE	DOM	\$23.95	7,850	\$188.0	\$4.57	19.1%	113%	5.9x
EV Energy Partners, L.P.	NASDAQ	EVEP	\$21.55	na	na	na	na	na	na
Hugoton Royalty Trust	NYSE	HGT	\$23.02	40,000	\$920.8	\$2.61	11.4%	106%	9.3x
Linn Energy, LLC	NASDAQ	LINE	\$30.26	27,883	\$843.7	\$1.72	5.7%	na	na
LL&E Royalty Trust	NYSE	LRT	\$2.42	18,991	\$46.0	\$0.07	2.8%	28%	9.9x
Marine Petroleum Trust	NASDAQ	MARPS	\$23.20	2,000	\$46.4	\$1.57	6.8%	70%	9.9x
Mesabi Trust	NYSE	MSB	\$26.96	13,120	\$353.7	\$1.76	6.5%	na	15.4x
Mesa Royalty Trust	NYSE	MTR	\$51.95	1,864	\$96.8	\$6.21	11.9%	96%	7.8x
North European Oil Royalty Trust	NYSE	NRT	\$34.65	9,191	\$318.5	\$3.28	9.5%	na	10.3x
Permian Basin Royalty Trust	NYSE	PBT	\$15.31	46,609	\$713.6	\$1.34	8.7%	87%	9.9x
Sabine Royalty Trust	NYSE	SBR	\$40.15	14,579	\$585.3	\$4.24	10.6%	99%	9.3x
Santa Fe Energy Trust	NYSE	SFF	\$29.70	6,300	\$187.1	\$4.02	13.5%	na	na
San Juan Basin Royalty Trust	NYSE	SJT	\$30.22	46,609	\$1,408.5	\$3.25	10.8%	99%	8.9x
TEL Offshore Trust	NASDAQ	TELOZ	\$9.61	4,752	\$45.7	\$0.36	3.7%	na	na
Tidelands Royalty Trust B	OTBB	TIRTZ.OB	\$13.07	na	na	na	na	na	na
Torch Energy Trust	NYSE	TRU	\$6.40	8,600	\$55.0	\$0.84	13.2%	na	7.1x
Williams Coal Seam Gas Royalty Trust	NYSE	WTU	\$10.56	9,700	\$102.4	\$1.34	12.7%	111%	8.7x
Average					\$8,888.5		9.9%	91%	9.4x
Energy: Refiners									
Calumet Specialty Products Partners, L.P.	NASDAQ	CLMT	\$40.71	12,211	\$497.1	\$2.20	5.4%	na	na
Energy: Coal									
Alliance Resource Partners, L.P.	NASDAQ	ARLP	\$33.71	36,426	\$1,227.9	\$2.00	5.9%	38%	6.5x
Alliance Holdings GP, L.P.	NASDAQ	AHGP	\$20.11	59,863	\$1,203.8	\$0.86	4.3%	na	na
Natural Resource Partners, L.P.	NYSE	NRP	\$56.76	25,341	\$1,438.4	\$3.28	5.8%	66%	12.0x
Natural Resources Partners, L.P.-	NYSE	NSP	\$58.84	na	na	na	na	na	na
Penn Virginia Resource Partners, L.P.	NYSE	PVR	\$25.16	33,994	\$855.3	\$1.60	6.4%	64%	11.5x
Average					\$4,725.4		5.6%	56%	10.0x
Propane									
AmeriGas Partners L.P.	NYSE	APU	\$31.45	56,797	\$1,786.3	\$2.32	7.4%	93%	12.2x
Ferrellgas Partners, L.P.	NYSE	FGP	\$21.00	60,418	\$1,268.8	\$2.00	9.5%	119%	12.4x
Inergy, L.P.	NASDAQ	NRGY	\$29.50	39,683	\$1,170.6	\$2.22	7.5%	93%	12.3x
Star Gas Partners, L.P.	NYSE	SGU	\$3.49	75,774	\$264.5	\$2.30	65.9%	189%	4.8x
Suburban Propane	NYSE	SPH	\$35.93	30,312	\$1,089.1	\$2.65	7.4%	71%	10.2x
Average					\$5,579.3		19.5%	113%	10.4x

Source: Baseline, BMO Capital Markets; All amounts in USD.

Table A1: U.S. Flow-Through Comparable Table (cont'd.)

			Jan-5	Units O/S	Mkt Cap	Indicated	Indicated	Payout	EV/
			Price	('000s)	(US\$m)	CDPU	Yield	Ratio	EBITDA
Energy: Pipeline and Infrastructure									
Atlas Pipeline Partners, L.P.	AMEX	APL	\$48.00	12,549	\$602.4	\$3.40	7.1%	115%	15.3x
Atlas Pipeline Holdings, L.P.	AMEX	AHD	\$23.91	21,100	\$504.5	\$0.68	2.8%	na	na
Boardwalk Pipeline Partners, L.P.	NYSE	BWP	\$30.55	68,256	\$2,085.2	\$1.60	5.2%	na	na
Buckeye Partners, L.P.	NYSE	BPL	\$46.02	37,926	\$1,745.4	\$3.10	6.7%	86%	14.5x
Buckeye GP Holdings, L.P.	NYSE	BGH	\$16.99	28,300	\$480.8	\$0.87	5.1%	na	na
Copano Energy, L.L.C	NASDAQ	CPNO	\$59.29	14,860	\$881.0	\$3.00	5.1%	58%	10.9x
Crosstex Energy, L.P.	NASDAQ	XTEX	\$38.60	19,615	\$757.1	\$2.16	5.6%	117%	21.2x
DCP Midstream Partners, L.P.	NYSE	DPM	\$33.99	10,357	\$352.0	\$1.62	4.8%	na	na
Enbridge Energy Partners, L.P.	NYSE	EEP	\$48.83	49,939	\$2,438.5	\$3.70	7.6%	66%	10.7x
Energy Transfer Partners, L.P.	NYSE	ETP	\$51.71	106,895	\$5,527.5	\$3.08	5.9%	80%	13.9x
Energy Transfer Equity, L.P.	NYSE	ETE	\$30.95	134,003	\$4,147.4	\$1.36	4.4%	62%	15.4x
Enterprise GP Holdings, L.P.	NYSE	EPE	\$35.99	88,884	\$3,198.9	\$1.24	3.4%	21%	9.1x
Enterprise Products Partners, L.P.	NYSE	EPD	\$28.51	431,828	\$12,311.4	\$1.81	6.3%	84%	14.4x
Genesis Energy, L.P.	AMEX	GEL	\$19.09	13,784	\$263.1	\$0.80	4.2%	67%	14.8x
Global Partners, L.P.	NYSE	GLP	\$23.94	5,642	\$135.1	\$1.78	7.4%	na	na
Hiland Partners, L.P.	NASDAQ	HLND	\$53.90	5,163	\$278.3	\$2.51	4.7%	66%	16.5x
Holly Energy Partners, L.P.	NYSE	HEP	\$41.12	8,170	\$336.0	\$2.56	6.2%	79%	12.9x
Inergy Holdings, L.P.	NASDAQ	NRGP	\$39.36	20,000	\$787.2	\$1.50	3.8%	32%	9.8x
Kinder Morgan Energy Partners, L.P.	NYSE	KMP	\$47.58	162,780	\$7,745.1	\$3.24	6.8%	77%	13.3x
K-Sea Transportation Partners, L.P.	NYSE	KSP	\$36.00	5,776	\$207.9	\$2.56	7.1%	43%	8.7x
Magellan Midstream Partners, L.P.	NYSE	MMP	\$37.90	66,361	\$2,515.1	\$2.36	6.2%	80%	13.2x
Magellan Midstream Holdings, L.P.	NYSE	MGG	\$23.16	62,647	\$1,450.9	\$0.93	4.0%	na	na
MarkWest Energy Partners, L.P.	AMEX	MWE	\$58.31	14,983	\$873.7	\$3.88	6.7%	66%	10.4x
Martin Midstream Partners, L.P.	NASDAQ	MMLP	\$33.24	8,476	\$281.7	\$2.44	7.3%	84%	12.5x
ONEOK Partners, L.P.	NYSE	OKS	\$62.79	46,397	\$2,913.3	\$3.88	6.2%	73%	13.8x
Plains All American Pipeline, L.P.	NYSE	PAA	\$50.23	73,769	\$3,705.4	\$3.00	6.0%	67%	14.8x
Rio Vista Energy Partners	NASDAQ	RVEP	\$6.77	na	na	na	na	na	na
Sunoco Logistics Partners, L.P.	NYSE	SXL	\$49.80	22,844	\$1,137.6	\$3.15	6.3%	77%	13.3x
TC Pipelines, L.P.	NASDAQ	TCLP	\$35.82	17,500	\$626.9	\$2.40	6.7%	na	17.6x
Teekay LNG Partners, L.P.	NYSE	TGP	\$33.13	14,485	\$479.9	\$1.85	5.6%	na	na
TEPPCO Partners, L.P.	NYSE	TPP	\$40.18	69,964	\$2,811.2	\$2.70	6.7%	82%	13.6x
TransMontaigne Partners, L.P.	NYSE	TLP	\$30.40	3,973	\$120.8	\$1.72	5.7%	97%	18.1x
U.S. Shipping Partners, L.P.	NYSE	USS	\$19.76	6,900	\$136.3	\$1.80	9.1%	40%	11.2x
Universal Compression Partners	NASDAQ	UCLP	\$26.20	6,325	\$165.7	na	na	na	na
Valero, L.P.	NYSE	VLI	\$54.73	37,210	\$2,036.5	\$3.66	6.7%	80%	13.3x
Valero GP Holdings, L.P.	NYSE	VEH	\$23.86	na	na	\$1.03	4.3%	na	na
Williams Partners, L.P.	NYSE	WPZ	\$38.57	14,596	\$563.0	\$1.80	4.7%	89%	20.0x
Average					\$64,602.8		5.8%	73%	13.8x

Source: Baseline, BMO Capital Markets; All amounts in USD.

Table A1: U.S. Flow-Through Comparable Table (cont'd.)

			Jan-5 Price	Units O/S ('000s)	Mkt Cap (US\$m)	Indicated CDPU	Indicated Yield	Payout Ratio	EV/ EBITDA
Timber									
Pope Resources	NASDAQ	POPEZ	\$35.15	4,683	\$164.6	\$1.12	3.2%	18%	5.1x
Fertilizer									
Terra Nitrogen Company, L.P.	NYSE	TNH	\$31.75	18,502	\$587.4	\$2.95	9.3%	161%	15.6x
Real Estate									
American Real Estate Partners	NYSE	ACP	\$87.30	61,857	\$5,400.1	\$0.40	0.5%	6%	9.0x
New England Reality Associates, L.P.	AMEX	NEN	\$81.25	173	\$14.1	\$2.80	3.4%	48%	7.8x
W.P. Carey & Co. LLP	NYSE	WPC	\$30.05	38,117	\$1,145.4	\$1.83	6.1%	73%	6.9x
Average					\$6,559.6		3.3%	42%	7.9x
Mortgage Securities									
American First Tax Exempt Investors	NASDAQ	ATAXZ	\$8.04	9,979	\$80.2	\$0.54	6.7%	na	na
CharterMac	NYSE	CHC	\$21.11	52,096	\$1,099.7	\$1.68	8.0%	91%	-7.9x
Municipal Mortgage & Equity, LLC	NYSE	MMA	\$31.04	38,519	\$1,195.6	\$2.00	6.4%	na	na
Average					\$2,375.6		7.0%	91%	-7.9x
Miscellaneous									
AllianceBurnstein Holding L.P.	NYSE	AB	\$85.87	na	na	na	na	na	na
Cedar Fair, L.P.	NYSE	FUN	\$27.64	54,066	\$1,494.4	\$1.88	6.8%	59%	11.5x
Equus Gaming Company	OTC	EQUUS.PK	\$0.25	na	na	na	na	na	na
ML Macadamia Orchards, L.P.	NYSE	NUT	\$6.13	7,500	\$46.0	\$0.20	3.3%	53%	14.6x
StoneMor Partners, L.P.	NASDAQ	STON	\$25.01	4,796	\$119.9	\$1.96	7.8%	159%	14.8x
Average					\$1,660.3		6.0%	90%	13.6x

Source: Baseline, BMO Capital Markets; All amounts in USD.

Table A2: U.S. REIT Comparable Table

Classification/Company	Ticker	Price (\$US)		AFFO Yield			FFO Growth	FFO Multiple		AFFO Payout Ratio		AFFO Multiple		Prem / (Disc) to NAV
		8-Jan-07	Market Cap. (\$mm)	Current Yield	2006E	2007E	'07 vs. '05 CAGR	2006	2007	2006	2007	2006	2007	
Office														
Alexandria Real Estate Equities, Inc.	ARE	\$97.77	\$2,862	3.0%	4.4%	4.8%	8.1%	18.9	17.4	69.0%	62.6%	22.8	20.7	15.3%
American Financial Realty Trust	AFR	\$11.37	\$1,473	6.7%	7.5%	7.6%	-16.2%	24.7	15.6	89.4%	88.4%	13.4	13.2	-7.9%
BioMed Realty Trust	BMR	\$27.20	\$1,781	4.3%	5.5%	5.8%	16.5%	15.8	14.6	77.3%	73.9%	18.1	17.3	-7.0%
Boston Properties, Inc.	BXP	\$110.35	\$12,892	2.5%	3.1%	3.2%	3.8%	24.9	24.6	80.5%	76.6%	32.6	31.1	6.0%
Brandywine Realty Trust	BDN	\$32.04	\$2,828	5.5%	5.1%	5.2%	2.6%	12.8	12.3	108.0%	105.4%	19.7	19.2	-0.1%
Columbia Equity Trust	COE	\$19.35	\$268	3.1%	3.5%	4.8%	na	19.0	16.5	88.2%	64.5%	28.5	20.8	16.4%
Corporate Office Properties Trust	OFC	\$48.08	\$2,059	2.6%	3.2%	3.6%	10.0%	24.2	21.4	81.0%	72.1%	31.4	28.0	18.5%
Equity Office Properties Trust	EOP	\$48.20	\$16,942	2.7%	1.8%	2.9%	na	29.4	20.7	153.5%	95.0%	56.0	34.7	15.1%
Government Properties Trust Inc.	GPT	\$10.62	\$220	4.2%	5.4%	7.3%	na	16.3	13.4	78.9%	58.4%	18.6	13.8	-1.2%
Highwoods Properties, Inc.	HIW	\$37.99	\$2,130	4.5%	3.4%	3.5%	na	16.3	na	130.8%	128.8%	29.2	28.8	-3.4%
HRPT Properties Trust	HRP	\$12.20	\$2,562	6.9%	5.1%	5.6%	-2.8%	10.3	10.3	135.5%	123.5%	19.7	17.9	-4.1%
Kilroy Realty Corporation	KRC	\$77.39	\$2,507	2.7%	3.5%	3.2%	27.9%	22.5	24.3	77.4%	86.9%	28.2	31.7	3.4%
Mack-Cali Realty Corporation	CLI	\$50.04	\$3,133	5.1%	5.2%	4.9%	-1.1%	13.5	14.3	99.2%	105.3%	19.4	20.6	-2.9%
Maguire Properties, Inc.	MPG	\$39.20	\$1,842	4.1%	3.1%	3.0%	-0.5%	18.9	18.7	132.2%	135.6%	32.4	33.2	-6.3%
Parkway Properties, Inc.	PKY	\$51.00	\$759	5.1%	4.1%	4.4%	-3.4%	12.6	13.1	125.0%	115.6%	24.5	22.7	3.8%
Reckson Associates Realty Corp.	RA	\$45.56	\$3,816	3.7%	3.0%	3.3%	4.2%	19.7	17.9	125.8%	113.2%	33.7	30.4	-4.5%
SL Green Realty Corp.	SLG	\$131.81	\$6,527	2.1%	2.6%	3.0%	12.2%	28.7	25.2	83.1%	70.0%	39.1	33.0	6.6%
Office			\$64,600	3.4%	2.8%	3.4%	5.7%	23.2	20.2	110.0%	91.0%	36.0	29.1	6.1%
Brookfield Prop. Corp. (BMO CM Est.)	BPO	\$38.89	\$10,289	2.0%	4.0%	4.3%	8.7%	20.7	19.0	49.4%	45.5%	25.3	23.3	4.4%
Mixed (Office/Industrial)														
Digital Realty Trust Inc.	DLR	\$34.06	\$1,548	3.4%	3.6%	4.0%	na	na	na	95.0%	83.9%	28.1	24.9	10.0%
Duke Realty Corporation	DRE	\$40.35	\$5,456	4.7%	4.6%	4.9%	5.7%	16.6	15.1	103.3%	96.9%	21.9	20.6	13.4%
Gladstone Commercial Corporation	GOOD	\$20.18	\$160	7.1%	na	na	na	na	na	na	na	na	na	na
Liberty Property Trust	LYR	\$47.89	\$4,330	5.2%	5.1%	5.1%	-0.2%	15.3	15.0	101.2%	100.8%	19.5	19.5	10.5%
Mission West Properties	MSW	\$12.76	\$248	5.0%	5.9%	4.3%	-11.9%	16.0	21.6	85.3%	116.4%	17.0	23.2	23.2%
PS Business Parks Inc.	PSB	\$68.50	\$1,459	1.7%	4.0%	4.5%	9.4%	18.7	16.4	42.3%	37.9%	25.0	22.4	24.7%
Mixed (Office/Industrial)			\$13,201	4.4%	4.5%	4.8%	3.6%	16.3	15.4	94.5%	90.4%	22.1	21.0	13.5%
Industrial														
AMB Property Corp.	AMB	\$56.58	\$5,053	3.3%	4.0%	4.3%	10.5%	18.1	16.8	82.1%	76.0%	25.3	23.4	2.7%
EastGroup Properties, Inc.	EGP	\$52.36	\$1,239	3.7%	4.2%	4.6%	6.6%	18.6	17.5	89.1%	81.0%	23.8	21.6	9.7%
First Industrial Realty Trust, Inc.	FR	\$45.70	\$2,048	6.2%	6.5%	7.4%	11.3%	11.1	10.2	95.0%	84.0%	15.3	13.5	1.6%
First Potomac Realty Trust	FPO	\$28.04	\$676	4.4%	4.6%	5.2%	8.0%	16.9	14.8	96.9%	84.4%	21.9	19.1	0.3%
ProLogis Trust	PLD	\$59.36	\$14,688	2.7%	5.1%	5.6%	24.3%	16.5	15.3	53.2%	48.3%	19.7	17.9	0.8%
Industrial			\$23,705	3.2%	4.8%	5.3%	18.9%	16.5	15.3	66.1%	60.1%	20.8	18.9	1.7%
Shopping Centers														
Acadia Realty Trust	AKR	\$24.29	\$772	3.3%	4.3%	4.8%	8.4%	20.8	19.0	76.2%	68.4%	23.1	20.8	0.3%
AmREIT Inc.	AMY	\$8.28	\$196	6.0%	na	na	na	na	na	na	na	na	na	na
Cedar Shopping Centers Inc.	CDR	\$15.80	\$680	5.7%	4.7%	5.5%	11.9%	13.1	12.2	120.0%	103.4%	21.1	18.2	-5.0%
Developers Diversified Realty Corporation	DDR	\$62.02	\$6,754	3.8%	5.0%	5.6%	9.1%	18.2	16.2	76.4%	68.0%	20.1	17.9	6.1%
Equity One, Inc.	EQY	\$26.15	\$1,912	4.6%	5.6%	5.5%	-0.9%	16.8	15.9	81.6%	83.3%	17.8	18.2	12.3%
Federal Realty Investment Trust	FRT	\$81.93	\$4,530	2.8%	3.2%	3.6%	9.1%	25.1	22.5	88.5%	78.5%	31.5	28.0	6.1%
Inland Real Estate Corporation	IRC	\$18.98	\$1,287	5.1%	6.1%	6.5%	4.4%	14.0	13.1	83.5%	77.4%	16.5	15.3	na
Kimco Realty Corporation	KIM	\$43.92	\$11,030	3.3%	4.5%	5.1%	10.9%	20.1	17.9	72.4%	64.6%	22.1	19.7	14.7%
Kite Realty Group Trust	KRG	\$18.50	\$534	4.2%	5.1%	5.9%	6.0%	15.9	14.6	82.1%	71.6%	19.5	17.0	9.6%
New Plan	NXL	\$27.05	\$2,794	4.6%	5.7%	6.1%	6.1%	14.6	13.7	80.6%	76.2%	17.5	16.5	5.9%
Ramco-Gershenson Properties Trust	RPT	\$37.62	\$624	4.8%	6.0%	6.3%	4.8%	14.9	14.1	78.9%	75.2%	16.6	15.8	2.0%
Regency Centers Corporation	REG	\$76.25	\$5,254	3.1%	4.4%	4.7%	6.9%	19.8	18.3	71.7%	66.3%	23.0	21.2	9.2%
Saul Centers, Inc.	BFS	\$54.58	\$945	3.1%	3.9%	4.0%	5.2%	21.4	20.4	78.9%	76.0%	25.6	24.7	19.4%
Tanger Factory Outlet Centers, Inc.	SKT	\$37.61	\$1,167	3.6%	4.3%	4.8%	19.7%	16.6	15.2	85.0%	76.0%	23.5	21.0	0.6%
Urstadt Biddle Properties, Inc.	UBA	\$18.03	\$477	5.1%	5.4%	5.7%	2.9%	14.9	14.4	93.9%	90.2%	18.4	17.7	-14.1%
Weingarten Realty Investors	WRI	\$46.06	\$3,943	4.0%	5.3%	5.6%	5.2%	16.3	15.3	75.6%	71.5%	18.7	17.7	4.8%
Shopping Center			\$42,897	3.7%	4.6%	5.0%	8.2%	18.9	17.2	78.0%	71.2%	21.9	19.9	8.5%
Regional Malls														
CBL & Associates Properties, Inc.	CBL	\$42.51	\$2,778	4.3%	5.7%	6.2%	3.7%	12.7	11.8	75.9%	69.8%	17.6	16.2	-6.6%
Feldman Mall Properties, Inc.	FMP	\$12.30	\$161	7.4%	4.5%	5.3%	6.0%	14.8	13.5	165.5%	140.0%	22.4	18.9	27.1%
General Growth Properties, Inc.	GGP	\$52.02	\$12,564	3.5%	4.2%	4.6%	3.7%	17.2	15.8	82.6%	75.3%	23.9	21.8	7.3%
Glimcher Realty Trust	GRT	\$26.24	\$965	7.3%	7.0%	7.2%	10.2%	22.4	11.1	105.1%	101.7%	14.3	13.9	-5.1%
Macerich Company, The	MAC	\$85.96	\$6,173	3.3%	3.6%	4.0%	5.6%	19.3	17.7	92.5%	81.6%	28.0	24.7	6.3%
Mills Corporation, The	MLS	\$18.94	\$1,072	5.3%	11.5%	11.6%	na	7.6	na	46.3%	45.6%	8.7	8.6	-19.4%
Pennsylvania Real Estate Investment	PEI	\$39.30	\$1,449	5.8%	5.0%	6.6%	0.5%	11.0	10.5	116.3%	87.4%	20.1	15.1	-15.4%
Simon Property Group, Inc.	SPG	\$99.74	\$22,071	3.0%	4.5%	4.9%	8.1%	18.6	17.2	67.1%	61.8%	22.0	20.3	3.4%
Taubman Centers, Inc.	TCO	\$50.54	\$2,675	3.0%	4.1%	4.5%	12.2%	20.2	18.5	71.8%	66.7%	24.2	22.5	-7.2%
Regional Mall			\$49,910	3.5%	4.4%	4.9%	6.4%	17.7	16.3	76.9%	69.8%	22.6	20.6	2.5%

Table A2: U.S. REIT Comparable Table (cont'd.)

Classification/Company	Ticker	Price (\$US)		Market Cap. (\$mm)	AFFO Yield			FFO Growth	FFO Multiple		AFFO Payout Ratio		AFFO Multiple		Prem / (Disc) to NAV
		8-Jan-07			Current Yield	2006E	2007E	'07 vs. '05 CAGR	2006	2007	2006	2007	2006	2007	
Free Standing															
Agree Realty Corporation	ADC	\$33.52	\$259		5.8%	7.3%	6.8%	0.6%	14.3	14.1	80.0%	85.6%	13.7	14.6	-3.2%
Commercial Net Lease Realty, Inc.	NNN	\$22.53	\$1,330		5.9%	7.9%	7.9%	8.6%	13.6	12.7	75.7%	74.9%	12.7	12.6	12.7%
Getty Realty Corp.	GTY	\$30.37	\$752		6.0%	na	na	na	na	na	98.4%	95.8%	16.4	16.0	na
Realty Income Corporation	O	\$27.02	\$2,698		5.4%	6.4%	6.8%	6.6%	15.7	14.7	84.1%	78.2%	15.7	14.6	10.2%
Trustreit (formerly U.S. Rest. Prop. Inc.)	TSY	\$16.88	\$1,140		7.8%	7.2%	7.3%	-2.9%	15.2	14.7	109.1%	106.5%	14.0	13.6	47.9%
Free Standing			\$6,178		6.0%	6.8%	7.1%	4.8%	15.0	14.2	88.5%	85.1%	14.7	14.2	18.1%
Manufactured Homes															
Affordable Residential Communities Inc.	ARC	\$10.75	\$444		0.0%	na	na	na	na	na	na	na	na	na	-15.2%
American Land Lease	ANL	\$27.41	\$214		3.6%	4.9%	5.2%	2.6%	16.0	15.3	74.1%	70.4%	20.3	19.3	4.8%
Equity Lifestyle Properties	ELS	\$53.33	\$1,268		0.6%	4.4%	4.7%	30.0%	19.5	17.8	12.8%	11.9%	22.8	21.2	-6.1%
Sun Communities, Inc.	SUI	\$31.75	\$576		7.9%	7.5%	8.0%	6.5%	11.8	11.1	105.4%	99.2%	13.3	12.5	-6.6%
Manufactured Homes			\$2,502		2.4%	5.0%	5.4%	20.6%	17.0	15.7	45.1%	42.4%	19.9	18.5	-6.9%
Apartments															
American Campus Communities, Inc.	ACC	\$28.82	\$660		4.7%	4.2%	4.6%	9.5%	21.0	19.1	112.5%	102.3%	24.0	21.8	5.0%
Apartment Investment & Management Co	AIV	\$55.33	\$5,339		4.3%	3.9%	4.4%	15.4%	18.6	16.8	111.1%	99.6%	25.6	23.0	1.9%
Archstone-Smith Trust	ASN	\$57.21	\$12,494		3.0%	3.7%	4.0%	8.5%	25.2	23.2	83.3%	76.3%	27.4	25.1	7.3%
Associated Estates Realty Corporation	AEC	\$14.93	\$256		4.6%	3.3%	4.9%	23.2%	124.4	12.4	136.0%	93.2%	29.9	20.5	-11.2%
AvalonBay Communities Inc.	AVB	\$131.80	\$9,833		2.4%	3.1%	3.3%	12.0%	30.0	27.9	76.7%	71.4%	32.4	30.2	11.0%
BRE Properties, Inc.	BRE	\$63.71	\$3,213		3.2%	3.4%	3.6%	10.2%	24.0	24.4	94.0%	89.9%	29.2	27.9	1.3%
Camden Property Trust	CPT	\$71.09	\$4,011		3.7%	4.3%	4.6%	6.6%	18.4	18.0	86.0%	81.5%	23.2	21.9	-5.2%
Education Realty Trust, Inc.	EDR	\$14.16	\$374		5.8%	5.2%	5.5%	36.2%	17.1	15.9	110.8%	105.1%	19.1	18.2	-14.6%
Equity Residential	EQR	\$49.88	\$14,572		3.7%	3.7%	4.1%	-0.4%	21.7	20.0	98.9%	90.7%	26.7	24.5	5.4%
Essex Property Trust, Inc.	ESS	\$126.50	\$2,954		2.7%	3.4%	3.6%	8.6%	25.2	24.0	78.0%	73.5%	29.4	27.7	4.8%
GMH Communities Trust	GCT	\$9.57	\$380		6.9%	3.2%	5.5%	na	20.8	na	212.9%	124.5%	30.9	18.1	-13.1%
Home Properties, Inc.	HME	\$58.60	\$1,930		4.4%	4.4%	4.6%	6.1%	19.2	18.3	101.6%	95.6%	22.9	21.5	0.9%
Mid-America Apartment Communities, Inc	MAA	\$56.44	\$1,382		4.2%	4.6%	5.1%	5.6%	16.9	15.8	91.5%	82.6%	21.7	19.6	-4.5%
Post Properties, Inc.	PPS	\$44.52	\$1,940		4.0%	3.4%	3.7%	1.0%	23.8	22.4	118.4%	108.4%	29.3	26.8	-5.2%
United Dominion Realty Trust, Inc.	UDR	\$30.73	\$4,139		4.1%	4.5%	4.9%	6.0%	18.2	17.0	89.9%	83.3%	22.1	20.5	3.0%
Apartments			\$63,477		3.5%	3.7%	4.0%	7.2%	23.5	21.5	92.3%	84.7%	27.2	25.0	4.3%
Lodging/Resorts															
Ashford Hospitality Trust	AHT	\$12.37	\$902		6.5%	7.4%	8.5%	15.0%	11.2	9.7	87.0%	76.2%	13.4	11.8	-3.4%
Diamond Rock Hospitality Company	DRH	\$18.05	\$1,384		4.0%	5.7%	7.1%	78.1%	13.5	10.9	69.9%	56.3%	17.5	14.1	-1.0%
Eagle Hospitality Properties Corporation	EHP	\$9.20	\$163		7.6%	7.0%	8.5%	13.6%	10.8	9.4	109.4%	89.7%	14.4	11.8	-11.0%
Equity Inns, Inc.	ENN	\$15.70	\$859		5.9%	6.9%	8.0%	20.9%	12.2	10.5	85.2%	73.0%	14.5	12.5	-9.2%
FelCor Lodging Trust Incorporated	FCH	\$20.90	\$1,296		4.8%	5.6%	7.4%	29.9%	10.7	9.0	86.2%	64.5%	18.0	13.5	-16.4%
Hersha Hospitality Trust	HT	\$11.14	\$361		6.5%	6.8%	8.3%	26.9%	11.1	9.6	94.7%	77.4%	14.7	12.0	-2.9%
Highland Hospitality Corporation	HIH	\$14.16	\$866		6.2%	6.4%	8.3%	34.2%	13.4	10.5	96.7%	75.2%	15.6	12.1	-8.8%
Hospitality Properties Trust	HPT	\$46.97	\$4,053		6.3%	7.4%	7.9%	8.0%	11.3	10.7	85.3%	79.8%	13.5	12.7	5.8%
Host Hotels and Resorts Inc.	HST	\$23.89	\$12,442		2.3%	na	na	23.3%	15.1	12.8	57.7%	44.4%	24.6	19.0	-4.3%
Innkeepers USA Trust	KPA	\$15.23	\$688		6.0%	5.6%	9.0%	23.1%	12.2	9.6	107.0%	67.2%	17.7	11.1	-15.4%
LaSalle Hotel Properties	LHO	\$46.11	\$1,843		3.4%	4.6%	6.2%	22.7%	16.5	13.6	73.6%	54.5%	21.8	16.1	7.0%
MHI Hospitality Corporation	MDH	\$9.56	\$64		7.1%	na	na	na	na	na	na	na	na	na	na
Sunstone Hotel Investors	SHO	\$26.42	\$1,525		4.5%	6.8%	8.5%	15.3%	11.1	9.4	66.7%	53.3%	14.7	11.7	-17.2%
Supertel Hospitality Inc.	SPPR	\$6.77	\$82		6.5%	na	na	na	na	na	na	na	na	na	na
Winston Hotels	WXH	\$13.20	\$385		4.5%	6.5%	7.3%	45.0%	11.8	10.6	69.8%	62.5%	15.3	13.8	-5.2%
Lodging/Resorts			\$26,913		4.0%	5.0%	6.3%	23.9%	13.6	11.6	70.9%	57.1%	20.0	15.8	-3.7%
Healthcare															
Health Care Property Investors, Inc.	HCP	\$38.11	\$7,392		4.5%	4.9%	5.3%	6.2%	19.6	17.9	90.4%	83.7%	20.3	18.8	27.7%
Health Care REIT, Inc.	HCN	\$43.74	\$3,175		5.9%	6.5%	6.8%	0.8%	15.0	14.2	89.5%	86.2%	15.3	14.7	23.1%
Healthcare Realty Trust Inc.	HR	\$38.70	\$1,850		6.8%	6.0%	6.3%	2.0%	17.7	16.3	113.3%	108.2%	16.6	15.9	12.1%
LTC Properties, Inc.	LTC	\$26.79	\$631		5.4%	6.5%	6.8%	-5.7%	14.6	13.9	83.6%	79.9%	15.4	14.7	21.8%
Medical Properties Trust	MPW	\$14.90	\$599		7.2%	na	na	na	na	na	na	na	na	na	na
National Health Investors, Inc.	NHI	\$32.48	\$901		5.9%	na	na	na	na	na	na	na	na	na	na
Nationwide Health Properties, Inc.	NHP	\$30.25	\$2,556		5.2%	6.4%	6.7%	4.8%	15.7	15.0	80.4%	76.8%	15.6	14.9	22.5%
Omega Healthcare Investors, Inc.	OHI	\$17.06	\$1,004		5.9%	7.2%	7.7%	27.3%	14.2	13.3	81.3%	76.3%	na	13.0	14.8%
Senior Housing Properties Trust	SNH	\$24.60	\$1,891		5.5%	6.6%	6.8%	7.7%	15.3	14.7	84.0%	81.0%	15.2	14.6	10.2%
Universal Health Realty Income Trust	UHT	\$38.53	\$454		5.9%	6.4%	6.5%	na	na	na	93.1%	90.8%	15.7	15.4	na
Ventas, Inc.	VTR	\$41.42	\$4,313		3.8%	5.5%	6.4%	15.3%	17.2	14.9	69.6%	59.6%	18.2	15.6	28.0%
Healthcare			\$24,767		5.1%	5.7%	6.2%	7.4%	17.2	15.8	86.1%	80.3%	17.7	16.2	23.1%

Table A2: U.S. REIT Comparable Table (cont'd.)

Classification/Company	Ticker	Price (\$US)		AFFO Yield			FFO Growth	FFO Multiple		AFFO Payout Ratio		AFFO Multiple		Prem / (Disc) to NAV
		8-Jan-07	Market Cap. (\$mm)	Current Yield	2006E	2007E	'07 vs. '05 CAGR	2006	2007	2006	2007	2006	2007	
Diversified														
Capital Lease Funding, Inc.	LSE	\$11.02	\$374	7.3%	na	na	na	na	na	na	na	na	na	na
Colonial Properties Trust	CLP	\$46.36	\$2,135	5.9%	5.9%	6.0%	1.1%	12.3	12.5	99.6%	97.8%	17.0	16.7	-10.0%
Cousins Properties Incorporated	CUZ	\$34.48	\$1,778	4.3%	4.2%	4.7%	2.1%	26.3	23.1	102.8%	91.9%	23.9	21.4	na
Crescent Real Estate Equities Company	CEI	\$18.80	\$1,932	8.0%	5.5%	9.9%	8.3%	15.8	13.2	145.6%	80.6%	18.3	10.1	-11.8%
Forest City Enterprises	FCEA	\$56.41	\$5,710	0.5%	na	na	na	na	na	na	na	na	na	na
Investors Real Estate Trust	IRETS	\$10.15	\$480	6.5%	na	na	na	na	na	na	na	na	na	na
Lexington Corporate Properties, Inc.	LXP	\$21.16	\$1,455	6.9%	8.3%	9.8%	2.3%	10.9	11.9	83.0%	70.2%	12.0	10.2	2.2%
One Liberty Properties, Inc.	OLP	\$25.87	\$258	5.6%	6.6%	6.9%	na	na	na	83.7%	80.9%	15.0	14.5	17.3%
Spirit Finance Corporation	SFC	\$12.17	\$1,308	6.9%	8.1%	9.1%	27.6%	12.0	10.7	84.8%	75.7%	12.3	11.0	12.5%
Vornado Realty Trust	VNO	\$118.14	\$17,738	2.7%	3.5%	3.5%	2.0%	21.6	21.8	77.1%	77.5%	28.5	28.6	13.9%
Washington Real Estate Investement Tru:	WRE	\$39.35	\$1,771	4.2%	4.0%	4.2%	3.6%	18.6	17.7	105.1%	100.6%	25.1	24.0	11.1%
Diversified			\$34,940	3.4%	4.0%	4.2%	3.7%	19.6	19.3	87.5%	81.2%	24.7	23.8	9.2%
Self Storage														
Extra Space Storage Inc.	EXR	\$18.03	\$1,157	5.0%	4.8%	5.4%	21.9%	19.4	17.3	104.6%	92.9%	20.7	18.4	9.1%
Public Storage, Inc.	PSA	\$97.40	\$16,575	2.1%	3.6%	4.3%	12.3%	27.0	21.4	57.6%	48.0%	28.1	23.4	23.9%
Sovran Self Storage	SSS	\$55.86	\$1,124	4.4%	4.9%	5.5%	6.6%	17.3	16.3	91.2%	80.8%	20.5	18.2	7.8%
U-Store-It Trust	YSI	\$20.70	\$1,187	5.6%	4.2%	5.2%	11.0%	22.3	17.7	133.3%	107.4%	23.8	19.2	6.3%
Self Storage			\$20,043	2.6%	3.7%	4.4%	12.4%	25.7	20.7	66.7%	55.9%	27.0	22.5	21.1%
GRAND TOTAL (SUM/WEIGHTED AVERAGE) of all US REITs			\$373,133	3.62%	3.9%	4.49%	9.1%	19.9	18.0	86.0%	76.4%	25.3	22.3	7.0%

Source: NAREIT, SNL Financial, BMO Capital Markets; All amounts in USD.

Analyst's Certification

I, Cameron Renkas, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

General Disclosure

The information and opinions in this report were prepared by BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée./Ltd., collectively ("BMO NB"). BMO NB is not subject to U.S. rules with regard to the preparation of research reports and the independence of analysts. "BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale/institutional arms of Bank of Montreal and BMO NB in Canada, and BMO Capital Markets Corp. in the U.S. BMO Capital Markets Corp. is an affiliate of BMO NB. BMO NB and BMO Capital Markets Corp. are subsidiaries of Bank of Montreal. Bank of Montreal or its affiliates ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO NB research. A significant lending relationship may exist between BMO Financial Group and certain of the issuers mentioned herein. The reader should assume that BMO NB, BMO Capital Markets Corp., Bank of Montreal or their affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates and projections contained in this report are those of BMO NB as of the date of this report and are subject to change without notice. BMO NB endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO NB makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO NB or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. The research analyst and/or associates who prepared this report are compensated based upon (among other factors) the overall profitability of BMO NB and its affiliates, which includes the overall profitability of investment banking services. BMO NB, or its affiliates expect to receive or will seek compensation for investment banking services within the next 3 months from all issuers covered by BMO NB. BMO NB or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO NB or its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

Company Specific Disclosures

A&W Rev. Royalties Inc. Fund (AW.UN-TSX)		Great Lakes Carbon Income Fund (GLC.UN-TSX)	9, 10C
Advantage Energy Income Fund (AVN.UN-TSX; AAV-NYSE)	2, 3, 7, 9, 10AC	Great Lakes Hydro Income Fund (GLH.UN-TSX)	
Aeroplan Income Fund (AER.UN-TSX)	9, 10C	H&R REIT (HR.UN-TSX)	2, 3, 7, 10A
Algonquin Power Income Fund (APF.UN-TSX)	2, 3, 7, 9, 10AC	Hardwoods Dist. Income Fund (HWD.UN-TSX)	
Allied Properties REIT (AP.UN-TSX)		Harvest Energy Trust (HTE.UN-TSX; HTE-NYSE)	1, 2, 3, 7, 10A
AltaGas Income Trust (ALA.UN-TSX)		Innenergy Power Income Fund (IEF.UN-TSX)	9, 10C
Altus Group Income Fund (AIF.UN-TSX)	2, 3, 7, 10A	InnVest REIT (INN.UN-TSX)	2, 3, 7, 10A
Amtelecom Income Fund (AMT.UN-TSX)		Inter Pipeline Fund (IPL.UN-TSX)	2, 3, 7, 9, 10AC
ARC Energy Trust (AET.UN-TSX)		Jazz Air Income Fund (JAZ.UN-TSX)	2, 3, 7, 9, 10AC
Arctic Glacier Income Fund (AG.UN-TSX)	2, 3, 7, 10A	KCP Income Fund (KCP.UN-TSX)	
Armtec Infrastructure Income Fund (ARF.UN-TSX)	2, 3, 7, 9, 10AC	Keyera Facilities Income Fund (KEY.UN-TSX)	
Atlantic Power Corp. (ATP.UN-TSX)	2, 3, 7, 9, 10AC	Keystone North America Inc. (KNA.UN-TSX)	9, 10C
Baytex Energy Trust (BTE.UN-TSX; BTE-NYSE)		Labrador Iron Ore Royalty Income Fund (LIF.UN-TSX)	
Bell Aliant Reg. Comm. Fund (BA.UN-TSX)	9, 10C	Legacy Hotels REIT (LGY.UN-TSX)	9, 10C
Bell Nordiq Income Fund (BNQ.UN-TSX)	5	Livingston Int'l Income Fund (LIV.UN-TSX)	9, 10C
BFI Canada Income Fund (BFC.UN-TSX)		Macquarie Power Income Fund (MPT.UN-TSX)	
Boardwalk REIT (BEL.UN-TSX)	2, 3, 7, 10A	Madacy Entertainment Inc. Fund (MEG.UN-TSX)	9, 10C
Bonavista Energy Trust (BNP.UN-TSX)	9, 10C	Medical Facilities Corp. (DR.UN-TSX)	9, 10C
Borex Power Income Fund (BPT.UN-TSX)	11	Menu Foods Income Fund (MEW.UN-TSX)	
Boston Pizza Royalties Fund (BPF.UN-TSX)		Morneau Sobeco Income Fund (MSI.UN-TSX)	
Brick Group Income Fund (BRK.UN-TSX)		Movie Distribution Income Fund (FLM.UN-TSX)	
Calloway REIT (CWT.UN-TSX)	2, 3, 7, 10A	NAL Oil & Gas Trust (NAE.UN-TSX)	9, 10C, 11

Calpine Power Income Fund (CF.UN-TSX)	1, 3, 7, 10A	New Flyer Industries (NFI.UN-TSX)	9, 10C
Canadian Apartment Prop. REIT (CAR.UN-TSX)	2, 3, 7, 10A	Newalta Income Fund (NAL.UN-TSX)	2, 3, 7, 10A
Canadian Oil Sands Trust (COS.UN-TSX)	5, 9, 10C	Newport Partners Income Fund (NPF.UN-TSX)	2, 3, 7, 9, 10AC
Canetic Resources Trust (CNE.UN-TSX; CNE-NYSE)	2, 3, 7, 9, 10AC	Noranda Income Fund (NIF.UN-TSX)	
Canexus Income Fund (CUS.UN-TSX)	9, 10C	North West Company Fund (NWF.UN-TSX)	
Canfor Pulp Income Fund (CFX.UN-TSX)		Northern Property REIT (NPR.UN-TSX)	2, 3, 7, 9, 10AC
Cargojet Income Fund (CJT.UN-TSX)		Northland Power Income Fund (NPI.UN-TSX)	2, 3, 7, 9, 10AC
CCS Income Trust (CCR.UN-TSX)	2, 3, 7, 10A	Osprey Media Income Fund (OSP.UN-TSX)	9, 10C
Chartwell Seniors Housing REIT (CSH.UN-TSX)	2, 3, 7, 10A	Paramount Energy Trust (PMT.UN-TSX)	1, 2, 3, 7, 9, 10AC
Chemtrade Logistics Inc. Fund (CHE.UN-TSX)	5, 9, 10C	Pembina Pipeline Income Fund (PIF.UN-TSX)	9, 10C
CHIP REIT (HOT.UN-TSX)		Pengrowth Energy Trust (PGF.UN-TSX; PGH-NYSE)	1, 2, 3, 7, 9, 10AC, #
CI Financial Income Fund (CIX.UN-TSX)		Penn West Energy Trust (PWT.UN-TSX; PWE-NYSE)	1, 3, 7, 9, 10AC
Cineplex Galaxy Income Fund (CGX.UN-TSX)	2, 3, 7, 9, 10AC	Peyto Energy Trust (PEY.UN-TSX)	9, 10C
Cinram International Inc. (CRW.UN-TSX)	9, 10C	Precision Drilling Trust (PD.UN-TSX; PDS-NYSE)	5, 9, 10C
Clean Power Income Fund (CLE.UN-TSX)		Primaris Retail REIT (PMZ.UN-TSX)	2, 3, 7, 10A
Clearwater Seafoods Inc. Fund (CLR.UN-TSX)		PrimeWest Energy Trust (PWI.UN-TSX; PWI-NYSE)	9, 10C, 12
CML Healthcare Income Fund (CLC.UN-TSX)		Prizm Canadian Income Fund (QSR.UN-TSX)	
Coast Wholesale Appliances Income Fund (CWA.UN-TSX)		Progress Energy Trust (PGX.UN-TSX)	2, 3, 7, 9, 10AC, 11
Cominar REIT (CUF.UN-TSX)		Provident Energy Trust (PVE.UN-TSX; PVX-NYSE)	2, 3, 7, 9, 10AC
Connors Bros. Income Fund (CBF.UN-TSX)		Retirement Residences REIT (RRR.UN-TSX)	
Consumers' Waterheater Fund (CWI.UN-TSX)		RioCan REIT (REI.UN-TSX)	2, 3, 7, 9, 10AC
Contrans Income Fund (CSS.UN-TSX)		Rogers Sugar Income Fund (RSI.UN-TSX)	2, 3, 7, 10A
Countryside Power Income Fund (COU.UN-TSX)		Royal Host REIT (RYL.UN-TSX)	2, 3, 7, 9, 10AC
CREIT (REF.UN-TSX)	9, 10C	Royal Utilities Income Fund (RU.UN-TSX)	2, 3, 7, 10A
Crescent Point Energy Trust (CPG.UN-TSX)	2, 3, 7, 9, 10AC	Scott's REIT (SRQ.UN-TSX)	
Creststreet Power & Inc. Fund (CRS.UN-TSX)	2, 3, 7, 10A	SFK Pulp Fund (SFK.UN-TSX)	
Davis + Henderson Income Fund (DHF.UN-TSX)	2, 3, 7, 9, 10AC	Shiningbank Energy Income Fund (SHN.UN-TSX)	9, 10C
DirectCash Income Fund (DCI.UN-TSX)	5	SIR Royalty Income Fund (SRV.UN-TSX)	
Dundee REIT (D.UN-TSX)		Sleep Country Canada Inc. Fund (Z.UN-TSX)	5
E.D. Smith Income Fund (JAM.UN-TSX)	2, 3, 7, 10A	Somerset Entertainment Income Fund (SOM.UN-TSX)	1, 3, 7, 10A
Enbridge Income Fund (ENF.UN-TSX)		Spectra Energy Income Fund (SP.UN-TSX)	
Energy Savings Income Fund (SIF.UN-TSX)		Strongco Income Fund (SQP.UN-TSX)	
Enerplus Resources Fund (ERF.UN-TSX; ERF-NYSE)	2, 3, 5, 7, 10A	Student Transportation of America (STB.UN-TSX)	5, 9, 10C
EPCOR Power, L.P. (EP.UN-TSX)	2, 3, 7, 9, 10AC	Summit REIT (SMU.UN-TSX)	9, 10C
Extencicare REIT (EXE.UN-TSX; EXE.UN-NYSE)		Sun Gro Horticulture Inc. Fund (GRO.UN-TSX)	9, 10C
Fairborne Energy Trust (FEL.UN-TSX)		Sunrise Senior Living REIT (SZR.UN-TSX)	2, 3, 7, 10A
Firm Capital Mortgage Inv. Trust (FC.UN-TSX)	2, 3, 7, 10A	Superior Plus Income Fund (SPF.UN-TSX)	
FMF Capital Group Ltd. (FMF.UN-TSX)	15	Thunder Energy Trust (THY.UN-TSX)	2, 3, 7, 9, 10AC
Focus Energy Trust (FET.UN-TSX)		TimberWest Forest Corp. (TWF.UN-TSX)	9, 10C
Fording Canadian Coal Trust (FDG.UN-TSX; FDG-NYSE)		TransAlta Power L.P. (TPW.UN-TSX)	9, 10C
Fort Chicago Energy L.P. (FCE.UN-TSX)	9, 10C	TransForce Income Fund (TIF.UN-TSX)	2, 3, 7, 10A
FP Newspapers Income Fund (FP.UN-TSX)		Trilogy Energy Trust (TET.UN-TSX)	9, 10C
Freehold Royalty Trust (FRU.UN-TSX)		UE Waterheater Income Fund (UWH.UN-TSX)	
Futuremed Healthcare Inc. Fund (FMD.UN-TSX)	9, 10C	Vermilion Energy Trust (VET.UN-TSX)	9, 10C
Gateway Casinos Income Fund (GCI.UN-TSX)	2, 3, 7, 10A	Wajax Income Fund (WJX.UN-TSX)	9, 10C
Gaz Metro Limited Partnership (GZM.UN-TSX)	1, 2, 3, 7, 9, 10AC	Westshore Terminals (WTE.UN-TSX)	
GMP Capital Trust (GMP.UN-TSX)	5, 9, 10C	Yellow Pages Income Fund (YLO.UN-TSX)	2, 3, 7, 9, 10AC
Golf Town Income Fund (GLF.UN-TSX)	5	Zargon Energy Trust (ZAR.UN-TSX)	

Disclosure Key

BMO NB uses the following Company Specific Disclosure Key. Please refer to the Company Specific Disclosure section above for specific disclosures applicable to issuers discussed in this report:

- 1 - BMO NB has provided advice for a fee with respect to this issuer within the past 12 months.
- 2 - BMO NB has undertaken an underwriting liability with respect to this issuer within the past 12 months.
- 3 - BMO NB has provided investment banking services with respect to this issuer within the past 12 months.
- 4 - BMO NB, BMO Capital Markets Corp. or an affiliate beneficially owns 1% or more of any class of the equity securities of this issuer.
- 5 - BMO NB, BMO Capital Markets Corp. or an affiliate makes a market in this security.
- 6 - BMO Capital Markets Corp. or an affiliate has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
- 7 - BMO Capital Markets Corp. or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.
- 8 - BMO Capital Markets Corp. or an affiliate or its officers or partners own options, rights, or warrants to purchase any securities of this issuer.
- 9 - BMO Capital Markets Corp. or an affiliate received compensation for products or services other than investment banking services within the past 12 months.
- 10A - This issuer is a client (or was a client) of BMO NB, BMO Capital Markets Corp. or an affiliate within the past 12 months: Investment Banking Services
- 10B - This issuer is a client (or was a client) of BMO NB, BMO Capital Markets Corp. or an affiliate within the past 12 months: Non-Investment Banking Securities Related Services
- 10C - This issuer is a client (or was a client) of BMO NB, BMO Capital Markets Corp. or an affiliate within the past 12 months: Non-Securities Related Services
- 11 - An employee, officer, or director of BMO NB is a member of the Board of Directors or an advisor or officer of this issuer.
- 12 - A member of the Board of Directors of Bank of Montreal is also a member of the Board of Directors or is an officer of this issuer.
- 13 - A household member of the research analyst and/or associates who prepared this research report is a member of the Board of Directors or is an advisor or officer of this issuer.
- 14 - The research analysts and/or associates (or their household members) who prepared this research report directly or beneficially own securities of this issuer.
- 15 - Company Specific:

FMFUN - FMF Capital Group Ltd., BMO Nesbitt Burns Inc. and Atul Shah, along with others, have been named as defendants in three proposed class actions relating to FMF Capital Income Participating Securities. The proposed class actions have not been certified. No assessment of the merits of the legal actions is reflected in this report.

Distribution of Ratings

Rating Category	BMO Rating	BMO Universe	BMO I.B. Clients*	First Call Universe**
Buy	Outperform	35%	45%	47%
Hold	Market Perform	55%	48%	46%
Sell	Underperform	10%	7%	7%

* Reflects rating distribution of all companies where BMO Capital Markets has received compensation for Investment Banking services.

** Reflects rating distribution of all North American equity research analysts.

Ratings Key

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the market;

Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

Market performance is measured by a benchmark index such as the S&P/TSX Composite Index, S&P 500, Nasdaq Composite, as appropriate for each company. Prior to September 1, 2003, a fourth rating tier—Top Pick—was used to designate those stocks we felt would be the best performers relative to the market. Our six Top 15 lists which guide investors to our best ideas according to six different objectives (large, small, growth, value, income and quantitative) have replaced the Top Pick rating.

Dissemination of Research

Our research publications are available via our web site <http://bmocapitalmarkets.com>. Institutional clients may also receive our research via FIRST CALL Research Direct and Reuters. All of our research is made widely available at the same time to all BMO NB, BMO Capital Markets Corp. and BMO Nesbitt Burns Securities Ltd. client groups entitled to our research. Please contact your investment advisor or institutional salesperson for more information.

Additional Matters

TO U.S. RESIDENTS: BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd., affiliates of BMO NB, furnish this report to U.S. residents and accept responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd.

TO U.K. RESIDENTS: The contents hereof are intended solely for the use of, and may only be issued or passed onto, persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée/Ltd. are Members of CIPF. BMO Capital Markets Corp. and BMO Nesbitt Burns Securities Ltd. are Members of SIPC.

“BMO Capital Markets” is a trade-mark of Bank of Montreal, used under licence.

“BMO (M-Bar roundel symbol)” is a registered trade-mark of Bank of Montreal, used under licence.

R36920