



PLAZACORP RETAIL
PROPERTIES LTD.

QUARTERLY REPORT

**MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, IN CANADIAN DOLLARS)**

**FOR THE SIX MONTHS ENDED
JUNE 30, 2010 AND 2009**

DATED: AUGUST 19, 2010

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PART I

FORWARD-LOOKING DISCLAIMER

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the six months ended June 30, 2010 should be read in conjunction with the Company's Interim Consolidated Financial Statements and the notes thereto for the six months ended June 30, 2010 and 2009, along with the Consolidated Financial Statements and MD&A for the year ended December 31, 2009, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of August 19, 2010 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

This MD&A has been reviewed and approved by management of the Company, and the Audit Committee on behalf of the Board of Directors.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers EBITDA to be one indicative measure of Plazacorp's operating performance. EBITDA, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp's real estate assets and the contractual nature of Plazacorp's revenues, EBITDA can be used to measure Plazacorp's ability to service debt, and fund capital needs.

Management uses EBITDA to compute two ratios indicative of the financial strength of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds interest costs which include amortization of finance costs.
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the aggregate of interest costs plus periodic mortgage principal repayments.

Funds From Operations (FFO) is an industry measure and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO is an industry standard for measuring operating results exclusive of amortization, future income taxes and gains or loss on property disposition. Plazacorp considers FFO a meaningful additional measure as it primarily rejects the assumption that the value of real estate investments diminish predictably over time.

Adjusted Funds From Operations (AFFO) is an industry measure which adjusts FFO for non-cash revenue, expenses and maintenance capital expenditures.

Property Net Operating Income (NOI) is an industry measure in widespread use. NOI as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. Plazacorp considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total property revenue less total property operating costs, including operating ground rents. It is used primarily for performance comparison of assets held over the entire reporting period of the financial statements and this MD&A.

FFO, AFFO, and NOI are not defined by Canadian GAAP, and therefore should not be considered as alternatives to net income or cash flow from operating activities calculated in accordance with GAAP. Readers are advised that changes in operating factors which impact FFO and AFFO, with the principal exception of financing costs, directly affect EBITDA. EBITDA should not be considered as an alternative to net income or any other operating or liquidity measure.

PART II

PERFORMANCE SUMMARY

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders. The following chart discusses the key performances indicators for the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Funds From Operations	<ul style="list-style-type: none"> ➤ For the six months ended June 30, 2010 FFO was \$6.3 million or 12.8¢ per share (12.8¢ diluted) compared to \$6.4 million or 13.4¢ per share (13.4¢ diluted) for the six months ended June 30, 2009, a 4.5% decrease on a per share basis. <p>The principal factors influencing FFO are:</p> <ul style="list-style-type: none"> ➤ Incremental FFO results from \$570 thousand earned by properties which transferred to income producing properties during 2009 and 2010. ➤ Incremental FFO from same asset pool growth of \$358 thousand net of management fee decrease contributed positively to FFO. ➤ Asset dispositions in 2009 reduced FFO by \$94 thousand compared to prior year. ➤ Increase in short term lending rates, standby fees, new debentures interest and replacement of float rate debt with long term debt has decreased FFO by approximately \$919 thousand. ➤ The per share decrease in FFO is attributed to an increase in the number of outstanding shares mainly due to the exercising of options.
Earnings Before Interest, Taxes, Depreciation and Amortization	<ul style="list-style-type: none"> ➤ For the six months ended June 30, 2010 EBITDA was \$15.0 million compared to \$13.4 million for the six months ended June 30, 2009, a 12.2% increase on a dollar basis. <p>The principal factors influencing EBITDA are:</p> <ul style="list-style-type: none"> ➤ Full impact of earnings from the addition of new properties through development during 2009 and 2010 contributed \$1.4 million. ➤ Growth in the same asset pool resulted in an increase in EBITDA of \$200 thousand. ➤ Disposition of assets in 2009 resulted in a decrease in EBITDA of \$94 thousand compared to 2009.
Debt Service Ratios	<ul style="list-style-type: none"> ➤ For the six months ended June 30, 2010 the Interest Coverage ratio was 1.8 times down 0.2 when compared to the six months ended June 30, 2009 and the Debt Service Coverage ratio was down 0.1 times when compared to the six months ended June 30, 2009. This decrease in the Interest Coverage ratio, was primarily due to higher float rate interest costs on properties included in income producing properties and replacement of short term debt with long-term mortgages at higher interest rates. ➤ The debt service ratios derived from EBITDA exceed the requirements under our borrowing arrangements.
Same-Asset Net Property Operating Income	<ul style="list-style-type: none"> ➤ For the six months ended June 30, 2010 same-asset net property operating income was up over the prior year by \$385 thousand or 3.0%. Excluding non-cash items and land rents same-asset growth was 3.9%. This is primarily due to the lease-up at Belvedere Plaza, LPC, and Plaza Royal which contributed \$332 thousand to same asset net property operating income.
Weighted Average Cost of Debt	<ul style="list-style-type: none"> ➤ As at June 30, 2010 the weighted average effective cost of mortgage debt increased 10 basis points to 6.48% from 6.38% compared to June 30, 2009 due to more stringent credit market conditions on financings during 2009 and 2010.
Occupancy Levels	<ul style="list-style-type: none"> ➤ As at June 30, 2010 overall occupancy increased to 97.9% from 97.4% compared to June 30, 2009. Overall the portfolio occupancy is stable.

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PROPERTY AND CORPORATE PERFORMANCE 2010 AND 2009

FUNDS FROM OPERATIONS (FFO) & EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

➤ KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO for the three and six months ended June 30, 2010, compared to the three and six months ended June 30, 2009 are presented below:

(000's – except per share amounts) For the Periods Ended (Unaudited)	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Total revenues	\$ 12,895	\$ 12,219	\$ 26,140	\$ 24,145
Basic earnings per share	\$ 0.006	\$ 0.015	\$ 0.013	\$ 0.037
Diluted earnings per share	\$ 0.006	\$ 0.015	\$ 0.013	\$ 0.037
Income and other comprehensive income	\$ 281	\$ 708	\$ 637	\$ 1,781
Add (deduct):				
Loss (gain) on disposal of income producing properties and surplus lands	(4)	19	(16)	(703)
Income tax expense	167	76	404	483
Amortization	2,615	2,499	5,266	4,892
Non-controlling interests	58	81	260	169
Interest costs	4,277	3,453	8,489	6,786
Earnings before interest, taxes, depreciation and amortization (EBITDA)	7,394	6,836	15,040	13,408
Add (deduct):				
Interest costs	(4,277)	(3,453)	(8,489)	(6,786)
Current income tax expense	(11)	(15)	(22)	(30)
Non-cash debenture interest	60	8	119	16
Non-controlling interest adjustment to FFO	(198)	(217)	(562)	(427)
Equity accounting adjustment to FFO	134	117	261	249
Corporate amortization	(4)	(4)	(9)	(8)
Basic FFO	3,098	3,272	6,338	6,422
Interest on dilutive convertible debentures before income tax	-	-	-	-
Diluted FFO	\$ 3,098	\$ 3,272	\$ 6,338	\$ 6,422
Basic Weighted Average Shares Outstanding	49,463	47,983	49,353	47,807
Diluted Shares Outstanding	49,475	48,125	49,364	47,971
Basic FFO per share	\$ 0.063	\$ 0.068	\$ 0.128	\$ 0.134
Diluted FFO per share	\$ 0.063	\$ 0.068	\$ 0.128	\$ 0.134

➤ KEY PERFORMANCE INDICATOR

Earnings before interest, taxes, depreciation and amortization	\$ 7,394	\$ 6,836	\$ 15,040	\$ 13,408
Interest costs	\$ 4,277	\$ 3,453	\$ 8,489	\$ 6,786
Periodic mortgage principal repayments	824	756	1,628	1,461
Total debt service	\$ 5,101	\$ 4,209	\$ 10,117	\$ 8,247
Debt coverage ratios				
Interest coverage ratio	1.7 times	2.0 times	1.8 times	2.0 times
Debt service coverage ratio	1.4 times	1.6 times	1.5 times	1.6 times

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Adjusted Funds from Operations (AFFO)

Adjusted funds from operations removes non-cash revenues and expenses from FFO and deducts same asset pool maintenance capital expenditures to show funds available for distribution as dividends and to pay periodic mortgage repayments.

Maintenance capital expenditures include leasing commissions, tenant improvement costs and routine capital expenditures for properties in the same asset grouping. See page 24 for properties excluded from the same asset grouping and labeled as transactions. Adjusted funds from operations, also adjusts for the non-controlling interest contributions for maintenance capital expenditures and the principal repayment of tenant loans.

(000's) For the Periods Ended (Unaudited)	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Basic funds from operations	\$ 3,098	\$ 3,272	\$ 6,338	\$ 6,422
Add: Amortization of deferred finance cost	237	212	440	360
Principal repayment of tenant loans	108	96	246	203
Less: Non cash revenue – straight-line rent	(204)	(361)	(496)	(564)
Non cash revenue – above and below market rent	(17)	(27)	(36)	(53)
Maintenance capital expenditures	(493)	(764)	(885)	(907)
Adjusted funds from operations	\$ 2,729	\$ 2,428	\$ 5,607	\$ 5,461
Add: Non-controlling interest adjustment	(1)	91	(16)	95
Adjusted funds from operations including non-controlling interest effect	\$ 2,728	\$ 2,519	\$ 5,591	\$ 5,556
Adjusted funds from operations per share	\$ 0.055	\$ 0.052	\$ 0.113	\$ 0.116
Gross dividend payments	\$ 2,377	\$ 2,214	\$ 4,744	\$ 4,407
Cash flow after dividends	\$ 351	\$ 305	\$ 847	\$ 1,149
Distribution Percentage of AFFO	87.1%	87.9%	84.6%	79.3%
Distribution Percentage of FFO	76.7%	67.7%	74.9%	68.6%

➤ KEY PERFORMANCE INDICATOR

SAME-ASSET NET PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the six months ended June 30, 2010 and the entire year ended December 31, 2009 and excludes partial year results from assets included in the 2010 and 2009 transaction categories detailed on page 24 of this MD&A and properties under significant redevelopment during 2010 and 2009.

(000's) For the Periods Ended (Unaudited)	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Same-asset rental revenue	\$ 11,484	\$ 11,362	\$ 23,021	\$ 22,633
Same-asset operating expenses	2,568	2,701	5,215	5,449
Same-asset realty tax expense	2,245	2,126	4,449	4,212
Same-asset net property operating income	\$ 6,671	\$ 6,535	\$ 13,357	\$ 12,972
Same-asset net property operating income excluding non-cash revenue and land rent	\$ 7,681	\$ 7,431	\$ 14,180	\$ 13,672
Same-asset net property operating income margin excluding non-cash revenue and land rent	66.9%	65.4%	61.6%	60.4%
Total net property operating income	\$ 7,483	\$ 6,788	\$ 15,192	\$ 13,348
Total net property operating margin	59.3%	57.1%	59.6%	56.9%

As noted in the chart above, the net property operating income for the same asset pool is showing growth of \$385 thousand year to date, due to the lease up at Belvedere Plaza, LPC and Plaza Royale which contributed to \$332 thousand to net property operating income. Same-asset net property operating income excluding non-cash revenue and land rent had

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growth of \$508 thousand year to date with the total net property operating income growing by \$1.8 million due to overall growth in income producing properties.

The variance in total net property operating income was attributable to:

- \$1.4 million increase in net property operating income from the 9 properties transferred to income producing in 2009 and \$102 thousand for 3 properties transferring to income producing in 2010;
- the sale of a 75% interest in 4 properties in 2009, and a 25% interest in a property in 2010, reduced NOI by \$144 thousand; and
- \$385 thousand from growth in the same asset pool.

SAME-ASSET NET PROPERTY OPERATING INCOME EXCLUDING NON-CASH REVENUE AND LAND RENT

GAAP requires that contractual rental revenue to be recorded on a straight-line basis over the term of the respective leases. As a result, growth in same-asset property operating income is derived primarily from changes in occupancy, cost containment and rental increases on lease renewal.

Due to the Company's use of operating land leases, operating margins excluding ground rent are more representative of industry norms and compare favourably with other public real estate entities specializing in retail shopping plazas. Net property operating margins are currently 59.6% (six months ended June 30, 2009 – 56.9%). These margins increase to 61.6% (six months ended June 30, 2009 – 60.4%) when the effect of land rent and non-cash revenue is excluded.

Significant portions of the Company's leases have common cost recoveries linked to the consumer price index (CPI). Certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recoveries revenue may exceed costs. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single-use properties are responsible for their own utilities, and changes to these costs do not materially impact on net property operating income. Significant fluctuations of the CPI index during 2008 and 2009 could restrict the growth or decrease CPI revenue during 2010 for certain tenants, constraining the growth of same asset NOI. This condition related to CPI leases is expected to reverse through late 2010 and early 2011.

INVESTMENT INCOME

Investment income consists of income from equity and cost accounted investments. The following schedule shows our ownership position, rates of preferred returns on investment and our interest in cash on capital appreciation beyond the preferred returns.

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments			
Centennial Plaza Limited Partnership	10%	10%	20%
MDO Limited Partnership	20%	10%	30%
Village Shopping Centre Limited Partnership	19.2%	8%	50%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp – Shediak Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	-	-
Cost Accounted Investments			
Northwest Plaza Commercial Trust	10%	-	-

Investment income is made up of interest income (\$122 thousand), generated primarily from tenant loans, the income reported on an equity accounting basis for Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets, the Village Shopping Centre, Shediak West, Ottawa Street, Hastings Street, and Main Street (\$481 thousand) and income reported on a cost basis from Northwest Plaza (\$29 thousand).

GAIN ON DISPOSALS OF INCOME PRODUCING PROPERTIES AND SURPLUS LANDS

During the six months ended June 30, 2010, the Company disposed of a 25% interest in Dufferin & Wilson (Perth) in Perth, ON for net proceeds of \$464 thousand and an accounting gain of \$16 thousand.

During the six months ended June 30, 2009, the Company disposed of a 75% interest in four income producing properties for net proceeds of \$12.4 million and an accounting gain of \$680 thousand. The purchaser assumed mortgages of \$8.7 million

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resulting in net cash proceeds of \$3.7 million. The Company disposed of surplus land for net proceeds of \$2.5 million with an accounting gain of \$23 thousand.

INCOME TAX EXPENSE

The financial statements include the current and future income taxes payable by consolidated subsidiaries. All current income taxes are those of subsidiaries. As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains.

(000's) For the Periods Ended (unaudited)	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Current income taxes	\$ 11	\$ 15	\$ 22	\$ 30
Future income taxes	156	61	382	453
Total income taxes	\$ 167	\$ 76	\$ 404	\$ 483

ADMINISTRATIVE EXPENSES

Administrative expenses have increased over the prior year, mainly due to the corporate management fee of ¾% of gross rents paid. This fee under the management agreement between Plaza Group Management Limited and Plazacorp was effective March 30, 2009. For the six months ending June 30, 2010, the total corporate management fees were \$174 thousand (June 30, 2009 – \$87 thousand). The corporate management fee was offset by a reduction in property management fees which is reflected in net property operating income.

OUTLOOK

Our development and leasing efforts have produced a property portfolio that is dominated by national retailers and provides our investors with a very stable cash flow. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events management is confident of delivering solid performance in 2010 as well as growth to the portfolio. The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders have been set at 19.25¢ per share for 2010 compared to 18.5¢ per share for 2009.

Plazacorp currently has six properties under development. Two of these properties are expected to move into income producing by Q4 2010. There are eight other conditional land assemblies which are under purchase agreements and subject to due diligence which would represent 383 thousand additional square feet at completion.

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly gross rents as at June 30, 2010 represent approximately 50.9% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	24.0	6. Bulk Barn	2.7
2. Dollarama	6.6	7. Sobeys	1.8
3. Staples	4.3	8. Winners	1.8
4. Mark's Work Warehouse	3.6	9. Michaels	1.6
5. Reitmans	2.9	10. Future Shop	1.6

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The Company's mix of tenancy continues the trend towards primarily national tenants as a result of new developments. The portfolio is well positioned to resist downturns in our markets and provide stability to cash flows from which we fund operations and dividends.

As at	June 30, 2010	June 30, 2009
National	88.8%	88.1%
Regional	4.3%	4.7%
Local	5.9%	6.2%
Non-Retail	1.0%	1.0%

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status. Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at June 30, 2010 includes interests in 103 properties totaling over 4.7 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint ventures. For 2010, and during 2009, Plazacorp's growth was primarily created through the development of new real estate assets. As at June 30, 2010, the Company has \$15.8 million committed to new development for 2010.

Summary of Properties

	Number of Properties June 30, 2010	Gross Leasable Area (sq. ft.) June 30, 2010	Number of Properties June 30, 2009	Gross Leasable Area (sq. ft.) June 30, 2009
Newfoundland and Labrador	8	597,170	7	532,873
New Brunswick	35	1,532,232	35	1,496,793
Nova Scotia	21	915,137	20	837,710
Ontario	13	232,666	10	180,763
Prince Edward Island	5	274,949	5	274,828
Quebec	21	1,128,950	21	1,128,071
Total	103	4,681,104	98	4,451,038

BUSINESS ENVIRONMENT

The principal regions in which we operate continue to exhibit stability in retailer demand for space and in consumer spending. Our strategy is to develop properties tenanted by national retailers, and more importantly retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is 88.8% occupied by national retailers. This significantly enhances the stability of the cash flow from our portfolio.

Yearly Dividend Growth

Year	2005	2006	2007	2008	2009	2010
Dividend per share	10.5¢	12.5¢	15.0¢	17.5¢	18.5¢	19.25¢
Percentage increase	16.7%	19.0%	20.0%	16.7%	5.7%	4.1%

The capital markets had been volatile and challenging through much of 2009, but, financing of both debt and equity improved dramatically in Q4 2009 and 2010. Long-term debt financing is being underwritten more carefully, but is available to good borrowers with quality projects at historically competitive rates. Loan-to-value ratios have returned to 70-75% of the appraised market value of the underlying properties.

Our short-term development and operating facilities are stable and were not adversely impacted by the capital markets during 2009. This stability is a direct result of the Company's track record for developing and financing its assets under a variety of market conditions. The management team continues to be focused on producing high-quality developments for the retailers

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who are our customers, but will also examine other real estate investment opportunities that will arise as a result of capital market distress.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a diversified portfolio of retail properties. To achieve this goal the Company's Board of Directors has set acquisition criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates over a 25 year amortization period.

The Company strives to:

- maintain access to cost effective sources of debt and equity capital to finance the acquisition of new developments;
- acquire or develop properties at a price consistent with the Company's targeted returns on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions; and
- diligently manage its properties to ensure tenants are able to focus on their business.

The Company invests in the following property types:

- development of new properties on behalf of existing clients or in response to demand;
- redevelopment of well located but significantly amortized shopping malls and strip plazas; and
- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plazacorp's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- raising capital where required in the most cost effective manner; and
- periodic review of the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

KEY PERFORMANCE DRIVERS AND INDICATORS

There are numerous performance drivers, many beyond Management's control, that affect Plazacorp's ability to achieve its goals. These key drivers can be divided into internal and external factors.

Management believes that the key internal performance drivers are:

- Occupancy rates;
- Rental rates;
- Tenant service; and
- Maintaining competitive operating costs.

Management believes that the key external performance drivers are:

- The availability of new properties for acquisitions and developments;
- The availability of equity and debt capital; and
- A stable retail market.

The key performance indicators by which Management measures Plazacorp's performance are as follows:

- Funds From Operations (FFO);
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA);
- Debt Service Ratios;
- "Same-Asset" Net Property Operating Income;
- Weighted Average Effective Cost of Debt; and
- Occupancy Levels.

PART III

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the last three fiscal years ended December 31, are presented below:

(\$000's except per share amounts and other data)	2009	2008	2007
Total revenue	\$ 49,951	\$ 47,338	\$ 40,920
Income and other comprehensive income	3,840	5,982	3,605
Dividends per share	18.5¢	17.5¢	15.0¢
Earnings per share – basic	8.0¢	12.8¢	8.2¢
Earnings per share – diluted	7.7¢	12.6¢	8.1¢
FFO per share – basic	27.9¢	26.2¢	23.6¢
FFO per share – diluted	26.3¢	25.9¢	23.1¢
Dividends as percentage of FFO	66.1%	66.6%	63.2%
Dividends as percentage of AFFO	73.7%	75.6%	74.6%
Total assets	308,927	291,558	269,920
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	261,169	244,239	225,766
Basic weighted average shares outstanding	48,132	46,746	44,109
Properties under development	6	7	10
Income producing properties	94	86	77
Total properties in portfolio	100	93	87
Rentable Sq Ft.(excluding investment properties and properties under development)			
Strip Plazas	2,206	2,003	1,963
Enclosed Malls	651	651	631
Single Use	498	422	267
Total income producing properties	3,355	3,076	2,861
Occupancy % (excluding investment properties and properties under development)			
Strip Plazas	97.0	97.6	97.4
Enclosed Malls	96.8	97.2	94.0
Single Use	100.0	100.0	100.0
Total income producing properties	97.4	97.9	96.9

The summary of yearly results is influenced by significant acquisition, development and re-development activities over the three years and highlights the increasing total assets and revenues resulting from these activities. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

Fluctuations in income and assets are also caused by asset dispositions with the reduction in associated revenues and the related gains or losses. The following gains on income producing properties and surplus land dispositions, before tax, are included in income on the above chart: year ended December 31, 2009 - \$665 thousand, year ended December 31, 2008 - \$4.1 million; year ended December 31, 2007 - \$3.1 million.

Comparative figures are affected by changes in GAAP. The selected comparative information is as originally reported and has not been restated, except for funds from operations per share – basic and diluted – which have been restated for changes in GAAP.

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SUMMARY OF SELECTED QUARTERLY INFORMATION

July 1, 2008 – June 30, 2010

(000's except per share and other data) (unaudited)	Q2'10	Q1'10	Q4'09	Q3'09	Q2'09	Q1'09	Q4'08	Q3'08
Total revenue	\$ 12,895	\$ 13,244	\$ 13,274	\$ 12,530	\$ 12,219	\$ 11,926	\$ 11,903	\$ 12,144
Income and other comprehensive income	281	356	1,304	755	708	1,073	1,468	3,971
Dividends per share	4.81¢	4.81¢	4.63¢	4.63¢	4.63¢	4.63¢	4.38¢	4.38¢
Earnings per share - basic	0.6¢	0.7¢	2.7¢	1.6¢	1.5¢	2.3¢	3.1¢	8.5¢
Earnings per share - diluted	0.6¢	0.7¢	2.7¢	1.6¢	1.5¢	2.2¢	3.1¢	8.2¢
Funds from operations per share- basic	6.3¢	6.6¢	6.8¢	7.6¢	6.8¢	6.6¢	6.8¢	7.1¢
Funds from operations per share- diluted	6.3¢	6.6¢	6.7¢	7.6¢	6.8¢	6.6¢	6.7¢	7.0¢
Dividends as percentage of FFO	76.7%	73.1%	67.4%	60.5%	67.7%	69.6%	64.0%	61.9%
Dividends as percentage of AFFO	87.1%	82.6%	68.0%	70.8%	87.9%	72.5%	68.9%	70.1%
Total assets	304,934	309,616	308,927	306,478	297,705	291,576	291,558	289,943
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	260,205	258,626	261,169	257,189	247,817	239,888	244,239	241,343
Basic weighted average shares outstanding	49,463	49,242	48,651	48,251	47,983	47,628	47,102	46,867
Properties under development	6	6	6	7	8	10	7	7
Income producing properties	97	95	94	91	90	87	86	85
Total properties in portfolio	103	101	100	98	98	97	93	92
Rentable Sq Ft.(excluding investment properties and properties under development)								
Strip Plazas	2,247	2,227	2,206	2,222	2,145	2,007	2,003	2,004
Enclosed Malls	658	657	651	651	651	651	651	658
Single Use	552	517	498	463	463	446	422	405
Total income producing properties	3,457	3,401	3,355	3,336	3,259	3,104	3,076	3,067
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	97.7	96.5	97.0	97.2	96.8	97.5	97.6	97.5
Enclosed Malls	96.8	96.9	96.8	97.3	97.5	97.3	97.2	95.4
Single Use	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	97.9	97.1	97.4	97.6	97.4	97.8	97.9	97.4

The summary of quarterly information highlights generally increasing gross revenues and income, except for the current quarter. During the last eight quarters occupancy has been very steady which contributes to stability of cash flow. Seasonal fluctuations in income and funds from operations primarily relate to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer. Leases tied to CPI cost recovery formula (56.1%) and anchor tenant leases, may restrict Common Area Cost (CAM) recovery revenue in any given period creating variations in income and cash flow.

Fluctuations in income and assets are also caused by asset dispositions with the attendant reduction in rental revenues and the related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions are included in income on the above chart: Quarter 2 – 2010 \$4 thousand; Quarter 1 – 2010 \$13 thousand; Quarter 4 – 2009 (\$8) thousand; Quarter 3 – 2009 (\$30) thousand; Quarter 2 – 2009 (\$19) thousand; Quarter 1 – 2009 \$722 thousand; Quarter 4 – 2008 - \$17 thousand; Quarter 3 – 2008 – \$4,177 thousand.

Comparative figures are affected by changes in GAAP. The selected comparative information is as originally reported and has not been restated, except for funds from operations per share – basic and diluted – which have been restated for changes in GAAP.

PART IV

OPERATING LIQUIDITY, WORKING CAPITAL AND FINANCING ACTIVITIES

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing, property tax costs, and to fund dividends. Costs of development activity are funded by a combination of debt, equity and cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash flow in determining cash available for distribution. Accordingly, the overall debt level on existing properties is reduced year-over-year. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay anticipated dividends. New debt or equity capital raised is directed to continuing development activities, which are discretionary, based on the availability of such capital. During 2009 the Company took advantage of opportunities to enter joint ventures which raised capital through the partial sale of assets. Going forward the Company may examine other joint venture activities to raise capital and reduce risk on new developments.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

BANK FINANCING

(000's)	\$7.5 Million Operating	\$27.5 Million Development	\$9.9 Million Development	\$9.6 Million Development	\$17.5 Million Development	\$9.4 Million Development
December 31, 2009	\$ -	\$ 12,116	\$ 8,270	\$ 7,192	\$ 9,894	\$ 9,074
Net change	-	(3,652)	1	(7,192)	(1,485)	-
June 30, 2010	\$ -	\$ 8,464	\$ 8,271	\$ -	\$ 8,409	\$ 9,074
Interest rate	Prime + 2.25%	Prime + 2%	Prime + 2%	Prime + 2%	Prime + 2.25%	Prime + 0.4%
Maturity	November 30, 2011	July 31, 2010	July 31, 2010	Discharged	July 31, 2010	March 31, 2011
Security	First charges on pledged property	First charges on pledged property	First charges on pledged property	First charges on pledged property	First charges on pledged property	First charges on pledged property
Other terms	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	-	\$550 thousand	\$500 thousand	-
Issued and outstanding	\$489 thousand	-	-	-	-	-

The Company has an additional \$500 thousand letter-of-credit facility maturing September 30, 2010 with a Canadian Chartered Bank, secured by Personal Property Security Act (PPSA) charges in various provinces. This line was fully drawn as at June 30, 2010. A Company subsidiary also has a \$150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at June 30, 2010. As of June 30, 2010, all debt covenants in respect of the above facilities have been maintained.

The market for obtaining long-term mortgage funding for the Company's properties remains adequate. The short-term financings relating to the bank facilities which matured July 31, 2010 have been renewed and in one case converted to long-term debt subsequent to June 30, 2010 with acceptable terms and conditions.

Plazacorp Retail Properties Ltd.

DEBENTURES AND MORTGAGE BONDS

During the six months ended June 30, 2010, \$20.3 million in Series VI convertible debentures, bearing interest of 7.5% per annum, were issued. The debentures are convertible into Plazacorp common shares at the option of the holder at \$3.80 per common share and mature on March 31, 2015.

Series II mortgage bonds totaling \$750 thousand matured July 16, 2010. The Company is in compliance with the terms and covenants of its mortgage bonds indentures.

The 8% subordinate debentures require the Company to maintain a debt service ratio based on EBITDA in excess of a fixed threshold. As of June 30, 2010, the ratio had been maintained. Tranche A subordinate debentures totaling \$85 thousand matured on July 31, 2010.

MORTGAGES

The Company has \$34.2 million of interim financing maturing at various times throughout 2011. The development lines which matured July 31, 2010, were renewed and extended for one year subsequent to quarter end, see Interim Consolidated Financial Statements, note 25. Long-term mortgages maturing during 2010 total \$3.6 million.

The Company's strategy is to balance maturities and terms on new fixed debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on capital market conditions at the time of refinancing. Plazacorp's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and dividend payments.

The Company's use of floating rate debt has generally been limited to assets under development or redevelopment. Fixed rate debt represents 90% of mortgages placed on income producing properties and float rate debt is restricted to assets under development and IPP under redevelopment. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current market parameters for conventional mortgage debt are in the range of 70% - 75% of the appraised market value of the underlying property. The success of this mortgage strategy is dependant upon debt market parameters, and the particular features and quality of the underlying assets being financed in the period.

➤ **KEY PERFORMANCE INDICATOR**

At June 30, 2010 and June 30, 2009, the Company's cost of debt was as follows:

(000's)	Balance Outstanding	Effective Rates June 30, 2010	Effective Rates June 30, 2009
Fixed rate mortgage loans	\$ 176,753	6.48%	6.38 %
Other fixed rate loans with periodic repayments	\$ 1,358	8.00%	10.00 %
Bank operating facility	\$ -	Prime + 2.25%	Prime + 0.75%
Bank development facility	\$ 8,464	Prime + 2.00%	Prime + 0.625%
Bank development facility	\$ 8,409	Prime + 2.25%	-
Bank development facility	\$ 9,074	Prime + 0.40%	Prime + 0.4%
Bank development facility	\$ 8,271	Prime + 2.00%	-

The weighted average effective cost of fixed rate mortgage loans as at June 30, 2010 is 6.48% compared to 6.38% as at June 30, 2009. The weighted average term to maturity for the long-term mortgages is 5.7 years. The average remaining repayment (amortization) period on long-term mortgage debt is 23.4 years.

LAND LEASES

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not be undertaken without use of a land lease.

Currently Plazacorp has 24 long-term land leases with total annual rent of \$2.6 million.

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COMMITMENTS AND CONTINGENT LIABILITIES

The Company is committed for future periods to \$15.8 million in respect of acquisitions, developments and redevelopments. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these commitments.

Plazacorp's future contractual commitments, and the estimated timing of these commitments, without adjustment for deferred financing charges deducted under GAAP, are outlined below:

(000's)	Total	Payments Due By Year				
		Remainder 2010	Year 1 2011	Years 2-3 2012-2013	Years 4-5 2014-2015	After 5 years
Contractual obligations						
Mortgages – Periodic payments	\$ 26,270	\$ 1,738	\$ 3,508	\$ 6,773	\$ 4,894	\$ 9,357
Mortgages – Due at maturity	151,841	3,586	2,704	26,149	49,747	69,655
Development line-of-credits	34,218	34,218	-	-	-	-
Mortgage bonds payable	12,435	750	7,500	3,000	-	1,185
Debentures	39,428	1,633	5,000	-	32,795	-
Operating land leases ⁽¹⁾	144,515	823	2,557	5,012	5,204	130,919
Development activities	15,819	15,819	-	-	-	-
Total contractual obligations	\$ 424,526	\$ 58,567	\$ 21,269	\$ 40,934	\$ 92,640	\$ 211,116

(1) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.

The Company also has a contingent liability as original borrower on mortgages assumed by the purchasers of properties in 2007 and 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Company's obligations as original borrower in respect of these mortgages, see note 22c of the June 30, 2010 Interim Consolidated Financial Statements. The debt subject to such guarantees at June 30, 2010 totals \$23.2 million and consists of six mortgages with remaining terms ranging from 1.7 years to 12.6 years.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$671 thousand, see note 22c of the June 30, 2010 Interim Consolidated Financial Statements.

The Company assumed a guarantee for a \$20.0 million development line-of-credit held by the Village Shopping Centre Limited Partnership. This guarantee is limited to costs for the completion of construction. As at June 30, 2010 the remaining budgeted development costs are \$3.6 million and the Company's current exposure under this guarantee is estimated to be \$3.6 million.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At June 30, 2010, the Company held interests in 103 properties spread geographically among six provinces in Canada. See Financial Risk Management note 23 to the Interim Consolidated Financial Statements.

INTEREST RATE, FINANCING AND REFINANCING RISK

Management attempts to lock in cash returns on assets for the longest period consistent with exposure to debt maturing and leases expiring in any given year.

The current debt market is improving for long-term mortgage financing. The Company has experienced increased lending spreads and tightening of other lending conditions on financings undertaken in 2009 and 2010. The Company's interest cost on short-term development financing increased in Q3 and Q4 of 2009 upon renewal of chartered bank operating and development lines. However, interest rate spreads are returning to historic norms and this will favourably impact the Company's debt costs going forward.

At existing financing rates, the Company is able to obtain positive returns from debt financing. The quality of our projects makes management confident of obtaining suitable long-term financing for those projects on completion of development as well as the maturity of existing debt. Refinancing debt at maturity with conventional financing is currently limited to 70% - 75% of appraised value. The Company has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Company or on any terms at all. Management remains confident that all debts maturing in 2010 will be financed or refinanced as they come due.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plazacorp's tenant mix is diversified and heavily weighted to national tenants and by ensuring any significant individual revenue exposures are to tenants of significant credit worthiness. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 24.0% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 50.9% of total revenues in place.

LEASE ROLL-OVER RISK

Lease roll-over risk arises from the possibility that Plazacorp may experience difficulty renewing leases as they expire or in releasing space vacated by tenants.

Management attempts to stagger the lease expiry profile so that Plazacorp is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by asset type and geographic location and ensuring that the property manager maintains a well staffed and highly skilled leasing department to deal with all leasing issues.

OCCUPANCY RISK

One of Plazacorp's performance drivers is related to occupancy levels. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with occupancy.

The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$310 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result,

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it does not reflect the actions management may take in relation to the changes. Plazacorp's principal management of occupancy risk is the skewing of tenancy toward national tenants.

During 2010, management completed 276 thousand square feet (2009 – 216 thousand square feet) of new leasing deals at market rates. The 276 thousand square feet of new leasing was comprised of 160 thousand square feet on new developments and acquisitions, and 116 thousand square feet on same-asset properties.

On average, Plazacorp's embedded or contractual gross rents expiring in 2010 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, as gross rental rates differ dramatically by asset class.

➤ **KEY PERFORMANCE INDICATOR**

- Occupancy in the strip plazas was 97.7% as at June 30, 2010, compared to 96.8% as at June 30, 2009.
- Average occupancy for enclosed malls was 96.8% as at June 30, 2010, compared to 97.5% as at June 30, 2009.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development and under construction is 100%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at June 30, 2010 was 97.9%, up 0.5% from June 30, 2009.

These occupancy rates are within management's expectations.

DEVELOPMENT AND ACQUISITIONS RISK

Plazacorp's external growth prospects will depend in large part on identifying suitable development, redevelopment, and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the retail facilities acquired by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Company's performance.

ENVIRONMENTAL RISK

Plazacorp is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos or petroleum products. Environmental risk is relevant to Plazacorp's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plazacorp. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plazacorp's portfolio, or of any pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters. Plazacorp manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environment risk before purchase.

LITIGATION RISK

In Management's opinion, any liability that may arise from current or pending litigation would not have a material adverse effect on these financial statements.

PART VI

SHARES OUTSTANDING

If all share options and rights to convert shares under the provisions of convertible debt were exercised, the impact on shares outstanding would be as follows:

As at August 19, 2010	Shares	Share Capital
Current Outstanding Shares	49,659,177	\$ 45,472,827
Employee and Director Share Options	180,002	688,205
Series IV Convertible Debentures	1,250,000	5,000,000
Series V Convertible Debentures	3,676,470	12,500,000
Series VI Convertible Debentures	5,340,789	20,295,000
Total adjusted shares outstanding	60,106,438	\$ 83,956,032

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under a separate management agreement with Plazacorp.

Plaza Group Management Limited is controlled by two directors of Plazacorp, namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board of Plazacorp, Mr. Zakuta is President and Chief Executive Officer of the Company. Les Immeubles Plaza Z-Corp Inc. is effectively controlled by Michael Zakuta.

The Management Agreements entered into by the Corporation with Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. effective March 30, 2009 contain an “*Alignment of Interests*” provision. Under this section, Plazacorp maintains the option to purchase the assets of Plaza Group Management Limited based upon its book value (excluding goodwill) and to terminate either Management Agreement if Plazacorp determines that specific circumstances exist or certain events have occurred, including: Earl Brewer and/or Michael Zakuta reduce their ownership interest in Plazacorp below their level of shareholdings as of the date of the Agreements; if they sell their interest in the management companies; if there is a change of control of Plazacorp or a sale of substantially all of its assets; or, if the Managers are subject to any litigation which results in a court order restricting their ability to carry out their duties effectively under the Management Agreements. Further, Plazacorp has the right to terminate the Management Agreements, at no cost, for any reason during the final two years of the contract term upon six months’ notice to the Managers.

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2010 and 2009.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas in which it operates at reasonable costs. The basis of fee payment under the management agreement, effective March 30, 2009, is as follows:

Plaza Group Management Limited fee structure	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Capital	Cost recovery.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently \$155 per hour.

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For the period January 1 through March 29, 2009 management services were provided by Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. and from March 30, 2009 forward, management services have been provided by Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. The following amounts were charged under the contracts:

(000's)		6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Fee Category	Included for Reporting Purposes In		
Property Management fees	Property operating expenses	\$ 770	\$ 794
Corporate Management fees	Administrative expenses	174	87
Leasing fees	Tenant acquisition costs and property operating expense	467	552
Development fees	Income producing properties	189	510
Financing and Equity fees	Income producing properties and debt costs	393	-
Acquisition fees	Income producing properties	67	19
Disposition fees	Gain on disposal of income producing properties or surplus lands	17	189
Legal services	Varies based on service provided	235	221
Total fees billed by the Property Managers		\$ 2,312	\$ 2,372

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at June 30, 2010 fall into two categories:

- Interest bearing unsecured notes that are advanced from time-to-time to assist in financing property acquisitions and development costs and are retired on funding of interim or long-term debt or upon sale of the property to which the note relates.
- Non-interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

(000's)	Interest Rate	June 30, 2010	December 31, 2009
Non-interest bearing notes:			
Entities controlled by Michael Zakuta, President, Chief Executive Officer and Director of the Company.	n/a	\$ 264	\$ 261
Interest bearing notes:			
Entity owned (directly and indirectly), controlled or significantly influenced by Earl Brewer, Chairman and Director of the Company.	8%	7	-
Total		\$ 271	\$ 261

Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB being Earl Brewer (25%) and Michael Zakuta (21.5%). The note payable to the entity owned by Earl Brewer is payable by Gateway Mall. There are no other loans outstanding or fees charged by the related parties as a result of the joint ownership.

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plazacorp at a total annual rent of \$875 thousand. The land leases expire at various times from October 2043 to March 2047, subject to options to renew or purchase. The business purpose of the leases is to enhance levered equity returns on the affected development assets.

For the six months ended June 30, 2010, the Company expensed \$6 thousand in related party interest (for the year ended December 31, 2009 - \$98 thousand).

BONDS AND DEBENTURES HELD

Related parties directly or indirectly held at face value, convertible debentures and mortgage bonds of the Company as at June 30, 2010 and December 31, 2009.

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(000's)	June 30, 2010	December 31, 2009
Richard Hamm, Director	\$ 400	\$ 1,025
Michael Zakuta, Director	2,163	2,068
Edouard Babineau, Director	2,150	1,850
Earl Brewer, Director	1,655	1,655
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	464	464
Total	\$ 8,052	\$ 8,282

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the Interim Consolidated Financial Statements for June 30, 2010 and all related public filings.

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (MI 52-109), the Venture Issuer Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificate(s).

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Plazacorp's significant accounting policies are described in the Consolidated Financial Statements. Management chooses the accounting policies and estimates that it believes are appropriate to fairly report the Company's operating results and financial position. Management regularly assesses its critical accounting estimates in light of current and forecasted economic conditions and reviews these estimates with its Audit Committee. The following outlines the more significant judgments and estimates used in the preparation of the financial statements:

PROPERTIES UNDER DEVELOPMENT

Pre-construction costs of the property, development costs, construction costs, carrying costs including financing fees, interest costs, real estate taxes and other costs incurred while a property is under development or significant re-development are capitalized. Once a property generates revenue the interest and net operating loss are capitalized until the earliest of 90% occupancy, six months after substantial completion of construction, or the date the property becomes profitable. Once a property under development achieves the aforementioned threshold it is classified as an income producing property.

PROPERTY ACQUISITIONS

Management is required to allocate the purchase price to acquired tangible and intangible assets and in-place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2009 and 2010. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets and net income.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment is recognized. The estimate is critical insofar as it may impact on the classification and book value of income producing properties held and net income should impairment be present.

FINANCIAL INSTRUMENTS

The Company reviews all significant contracts to determine if they contain embedded derivatives pursuant to the provisions of CICA Handbook Section 3855. As at June 30, 2010, there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company has consolidated Plazacorp Ontario2 Limited Partnership (Scugog Street Port Perry, and Amherstview) as the guidelines for classification of a variable interest entity have been met. Plazacorp Ontario1 Limited Partnership (Hastings Street Bancroft, Main Street Alexandria, and Ottawa Street) no longer meets the guidelines for classification as a variable interest entity and is not consolidated as of June 30, 2010.

Readers should refer to the June 30, 2010 Interim Consolidated Financial Statements and the December 31, 2009 Consolidated Financial Statements for a full description of the Company's accounting policies.

FUTURE ACCOUNTING POLICY CHANGES

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The conversion from Canadian GAAP to IFRS will be effective for the period

Plazacorp Retail Properties Ltd.

ending March 31, 2011 and it will include comparatives for the first quarter of 2010.

The implementation is following a four step phased approach. The Awareness and Assessment phase of developing an understanding of the complexity of the conversion process has been completed and a conversion plan has been developed that has determined the priorities and timeline. Plazacorp, with the assistance of its external advisors, have commenced the process to transition from current GAAP to IFRS.

The Company substantially completed a detailed analysis of the differences between GAAP and IFRS in Q4 2009 in order to obtain an understanding of the impact to the Company and to determine the process changes required for implementation. The standards expected to have the greatest impact to Plazacorp include IAS 40 – investment property and the applicable standards for consolidations, investments in associates and joint ventures; IAS 27, 28, and 31 respectively. The Company continues research necessary to comply with new disclosures under IAS 40 and IAS 31.

The design and implementation phases, along with the accounting policy choices, will be completed during 2010. Implementing IFRS will have an impact on the accounting, financial reporting, supporting processes, and the contractual commitments involving GAAP based debt covenants. The implementation plan ensures proper training to individuals who are impacted by these changes, increasing awareness and knowledge to management, the Board of Directors, and Audit Committee, and a review of relevant contracts and awareness to ensure compliance. In early 2010, the Company held IFRS information sessions with members of the Board of Directors and Senior Management. During the session with the Board, management provided the implications of the convergence to IFRS with an overview of the impact of significant differences to the financial statements. The timeline for implementation was also reviewed and the Audit Committee will continue to receive project status updates from management at the quarterly Audit Committee meetings.

Plazacorp is continually assessing the impact of the transition to IFRS and is reviewing all of the proposed and ongoing changes to the International Accounting Standards to determine their impact on the Company. Accordingly, the Company can not, at this time, quantify the impact that the adoption of IFRS will have on the consolidated financial statements. The current GAAP consolidated financial statements may be significantly different when presented in accordance with IFRS.

The critical choices for the Company are the choices surrounding fair value versus historical cost accounting, the related impact on joint venture accounting and to a lesser extent consolidation.

Investment Property

Investment properties, under IFRS, are defined as properties that are held to earn rental income or for capital appreciation, or both. Under IFRS it is expected the Company's income properties and properties under development will be categorized as investment property. Similar to Canadian GAAP, under IFRS, investment property is initially recognized at cost. Subsequent to initial recognition IFRS requires that an entity account for investment property using either the cost or fair value model.

IFRS 1 – First time adoption of IFRS, allows an entity, at the date of transition to IFRS, to revalue investment property at fair value and deem this amount as cost going forward, if the entity chooses the cost model. It is also allowable, under IFRS, for an entity to maintain historical cost and continue to use the cost model. The cost model is generally consistent with Canadian GAAP. The investment properties are carried at cost less accumulated depreciation on the balance sheet. If the cost model is chosen the fair value will be disclosed in the notes to the consolidated financial statements.

The Company has analyzed these options to determine which method will be adopted and it is expected that the fair value method will be chosen by the Company. As part of the Company's analysis, externally provided valuation data has been received and will be used to calculate the fair values of investment properties for the opening balances on January 1, 2010. Valuation data for March 31, 2010 and June 30, 2010 has also been received and will be used to roll forward the opening fair value balances. This information has been used in preparing IFRS financial statements in Q2 2010 for review with the Audit Committee of the Board of Directors.

If the fair value method is chosen, the investment properties will be carried at the fair value on the balance sheet and changes to the fair value for each period will be recorded in the consolidated statement of earnings. The Company expects the fair value of its investment properties to be greater than the properties' current carrying value under Canadian GAAP.

Basis of Consolidation

Under the current IFRS standard on joint ventures, jointly controlled entities can be consolidated using either the proportionate consolidation method or the equity method. Currently under Canadian GAAP, jointly controlled entities are accounted for using proportionate consolidation. An exposure draft released for the new International Accounting Standard (IAS) on joint ventures proposes to eliminate the option for proportionate consolidation of jointly controlled entities. The release and effective date for this Standard has been delayed due to significant opposition by stakeholders and is not anticipated to be effective until 2012. Given the uncertainty of the exposure draft, the Company is expected to continue to use proportionate consolidation and the equity method where appropriate.

Under Accounting Guideline #15 – Consolidation of Variable Interest Entities, the Company currently evaluates each of its joint ventures and partnership arrangements to determine whether the Company is at risk for the majority of losses or is entitled to a majority of the benefits from the entity. If the Company determines the classification for a variable interest entity is met then the entity is consolidated based on the Guideline. Under IFRS, the concept of a variable interest entity does not exist, however IFRS 3 – Business Combinations and SIC 12 – Consolidation of Special Purpose Entities are being reviewed to ensure these entities will not require consolidation under IFRS.

Taxation

There is no specific guidance on taxes under IFRS other than for income taxes. There is little specific guidance for the Company in relation to our status as a Mutual Fund Corporation as defined in the Income Tax Act of Canada. The Company is currently researching taxation and working with external consultants to determine the impact to the entity on convergence to IFRS. The largest impact would be the application of capital gains taxation to the fair values applied in a restated cost or fair value election.

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests. These standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements, and were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board. Early adoption is permitted at the beginning of a fiscal year. The new standards will be applied by the Company prospectively for fiscal years beginning on or after January 1, 2011.

ADDITIONAL INFORMATION

Additional information relating to Plazacorp including the Management Information Circular, Material Change reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com or on the Plazacorp web site at www.plaza.ca.

The charts following provide additional information useful in interpreting our key performance indicators.

Plazacorp Retail Properties Ltd.
PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Jun-10	Major Tenants
Strip Plazas					
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	128,222	100%	92%	Caisse Populaire, Dollarama
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Terrace Dufferin	Valleyfield, QC	17,587	50%	100%	Videotron, Mike's
St. Anne Street Plaza	Bathurst, NB	25,299	100%	96%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	23,273	100%	100%	Shoppers Drug Mart
Champlain Plaza	Dieppe, NB	48,815	100%	100%	Shoppers Drug Mart, Bulk Barn
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	22,025	100%	71%	Reitmans, CitiFinancial
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
Main Place	Fredericton, NB	31,284	100%	90%	Shoppers Drug Mart
Nashwaaksis Plaza	Fredericton, NB	55,814	100%	100%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton's
KGH Plaza	Miramichi, NB	18,034	25%	100%	Shoppers Drug Mart
Miramichi Power Center - 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - 2	Miramichi, NB	22,316	100%	100%	Dollarama, Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas
Fairville Boulevard - 2	Saint John, NB	56,941	100%	87%	Bulk Barn, Staples
Major Brook Drive Plaza	Saint John, NB	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza	Saint John, NB	24,921	55%	100%	McDonald's, Cleve's
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn
Main and Western Street Plaza	Sussex, NB	14,300	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Mark's Work Wearhouse, Dollarama
303 Main Street Plaza	Antigonish, NS	19,542	100%	92%	Shoppers Drug Mart
Bedford Commons	Bedford, NS	90,122	100%	93%	Future Shop, Dollarama
Tacoma Centre	Dartmouth, NS	156,349	50%	98%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth, NS	25,325	50%	91%	Shoppers Drug Mart
201 Chain Lake Drive	Halifax, NS	118,505	50%	100%	Home Outfitters
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,763	100%	100%	Staples
V-8 Plaza	New Glasgow, NS	16,470	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
Granite Drive Plaza	New Minas, NS	83,929	100%	92%	Lawtons, Future Shop, Winners
North Sydney Plaza	North Sydney, NS	20,372	100%	92%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	21,890	25%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	87%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	63,704	100%	96%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	77,459	60%	100%	Marks Work Wearhouse, Indigo
Spring Park Plaza	Charlottetown, PE	49,734	85%	97%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart, TD Bank
University Plaza	Charlottetown, PE	62,046	43%	100%	Dollarama, Smitty's
Granville Street Plaza	Summerside, PE	62,362	60%	94%	Dollarama, Mark's Work Wearhouse

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Jun-10	Major Tenants
15260 Yonge Street	Aurora, ON	14,070	50%	89%	Dollarama
Scott Street Plaza	St. Catharines, ON	25,709	50%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	20,576	100%	100%	XS Cargo, Montana's
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		2,247,024		97.7%	
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	137,803	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	148,404	100%	99%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	134,123	100%	92%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	76,401	100%	98%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	161,164	25%	97%	Sobeys, Canadian Tire
Sub-total		657,895		96.8%	
Single Use					
Plaza BDP	Deux Montagnes, QC	16,940	37.5%	100%	Shoppers Drug Mart
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
CPRDL	Rivière-du-Loup, QC	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
Miramichi West Plaza	Miramichi, NB	18,210	100%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	25%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Fairville Boulevard - 1	Saint John, NB	47,000	100%	100%	Sobeys
Main and Sackville	Shediac, NB	23,652	100%	100%	Shoppers Drug Mart
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	25%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	16,847	100%	100%	Shoppers Drug Mart
Main Street Alexandria	Alexandria, ON	17,242	25%	100%	Shoppers Drug Mart
Ottawa Street	Almonte, ON	18,365	25%	100%	Shoppers Drug Mart
Amherstview	Amherstview, ON	18,029	50%	100%	Shoppers Drug Mart
Hastings Street Bancroft	Bancroft, ON	17,538	25%	100%	Shoppers Drug Mart
615 King Street	Gananoque, ON	16,619	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	16,799	50%	100%	Shoppers Drug Mart
Dufferin & Wilson (Perth)	Perth, ON	16,782	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	17,036	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	22,650	50%	100%	Shoppers Drug Mart
Scugog Street Port Perry	Port Perry, ON	16,776	50%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	18,077	100%	100%	Shoppers Drug Mart
Sub-total		551,669		100%	
Income producing properties		3,456,588		97.9%	
Projects Under Development					
90 Blvd. Tache Ouest	Montmagny, QC	-	50%	-	In Planning
Magog	Magog, QC	-	50%	-	In Planning
Silver Fox Plaza	New Minas, NS	42,340	100%	100%	Michael's, Giant Tiger
Ville Marie Drive Plaza	Marystown, NL	13,642	100%	100%	Dollarama
King & Mill	Newcastle, ON	15,051	50%	100%	Shoppers Drug Mart
Stavanger Drive	St. John's, NL	47,950	90%	100%	In Planning
Sub-total		118,983		100%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,575,571		97.9%	

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Jun-10	Major Tenants
Non-Consolidated Trusts and Partnerships⁽¹⁾					
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Centennial Plaza	Dollard des Ormeaux, QC	151,815	10%	100%	Value Village, Jean Coutu
Marche De L'Ouest	Dollard des Ormeaux, QC	128,171	20%	96%	IGA, SAQ
Place Du Marche	Dollard des Ormeaux, QC	35,219	10%	86%	Laurentian Bank, Starbucks
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	177,821	10%	100%	Zellers, Princess Auto
Shediac West	Shediac, NB	76,842	10%	100%	Canadian Tire, Sobeys
Village Shopping Centre	St. John's, NL	413,091	20%	83%	Hart, Labels, Dollarama, SportChek
Sub-total		1,072,864		92.4%	
Grand Total		4,648,435		96.7%	

(1) See page 5 of the MD&A for details on the investment income of these properties.

TRANSACTIONS

The following assets are not included in “same asset” measurements due to timing of acquisition or redevelopment.

2010 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Ottawa Street, Almonte, ON	Single Use	18,365	25%	Q1 10
Amherstview, Amherstview, ON	Single Use	18,029	50%	Q2 10
Scugog Street Port Perry, Port Perry, ON	Single Use	16,776	50%	Q2 10
2009 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Miramichi West Plaza, Miramichi, NB	Single Use	18,210	100%	Q4 09
Fairville Boulevard – 2, Saint John, NB	Strip Plaza	56,941	100%	Q4 09
Main and Sackville, Shediac, NB	Single Use	23,652	100%	Q1 09
Shediac West, Shediac, NB	Strip Plaza	76,842	10%	Q3 09
Bedford Commons, Bedford, NS	Strip Plaza	90,122	100%	Q2 09
Granite Drive Plaza, New Minas, NS	Strip Plaza	83,929	100%	Q2 09
Main Street Alexandria, Alexandria, ON	Single Use	17,242	25%	Q4 09
Hastings Street Bancroft, Bancroft, ON	Single Use	17,538	25%	Q2 09
Plaza BBRF, Sherbrooke, QC	Strip Plaza	20,631	50%	Q2 08

PROPERTIES UNDER DEVELOPMENT

The following properties are under active development or active planning and are anticipated to become income producing at various points over the next two years as follows:

Properties under development	Property Type	Square Footage	Ownership	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Magog, QC	In Planning	-	50%	-
Silver Fox Plaza, New Minas, NS	Strip Plaza	67,340	100%	Q4 10
Ville Marie Drive Plaza, Marystown, NL	Single Use	13,642	100%	Q3 10
King & Mill, Newcastle, ON	Single Use	15,051	50%	Q1 11
Stavanger Drive, St. John's, NL	Strip Plaza	47,950	90%	Q2 11

The six months ended June 30, 2010 were active with the Company making \$13.2 million of property investments, including \$12.1 million invested in new developments. The Company continues its significant development and redevelopment program, adding high quality assets to the portfolio. As at June 30, 2010, there were 6 properties under development. Upon completion, these new assets should contribute positively to income and FFO growth.

Plazacorp Retail Properties Ltd.

Gross Capital Additions including Leasing Fees:

(000's)	3 Months	3 Months	6 Months	6 Months
For the Periods Ended	Ended	Ended	Ended	Ended
(Unaudited)	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009
Leasing fees – existing properties	\$ 167	\$ 182	\$ 289	\$ 213
Leasing fees – redevelopment properties	-	32	-	51
Leasing fees – new developments	143	760	219	902
Total leasing fees	\$ 310	\$ 974	\$ 508	\$ 1,166
Capital additions – existing properties	605	645	890	764
Capital additions – redevelopment properties	-	212	-	1,115
Capital additions – new developments	8,540	10,306	11,879	18,784
Total capital additions	9,145	11,163	12,769	20,663
Total gross additions	\$ 9,455	\$ 12,137	\$ 13,277	\$ 21,829

NOTICE OF NO AUDITOR REVIEW

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements.

Plazacorp Retail Properties Ltd.**Interim Consolidated Balance Sheets****(In thousands of Canadian dollars)****As at June 30, 2010 (unaudited)****June 30,
2010**December 31,
2009**Assets**

Income producing properties (Note 3)	\$ 262,307	\$ 266,380
Properties under development (Note 4)	12,349	14,382
Surplus lands (Note 5)	1,316	748
Intangible assets	1,261	1,444
Cash	2,679	3,875
Notes receivable (Note 6)	819	632
Receivables (Note 7)	596	980
Straight-line rent receivables	4,862	4,582
Tenant loans (Note 8)	2,070	2,489
Prepaid expenses and deposits (Note 9)	5,433	2,926
Income taxes receivable and refundable capital gains tax (Note 17)	161	98
Future income tax asset (Note 17)	793	793
Investments (Note 10)	7,066	6,380
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 11)	1,197	1,193
	<u>\$ 304,934</u>	<u>\$ 308,927</u>

Liabilities

Mortgages payable (Note 12)	\$ 209,577	\$ 215,955
Mortgage bonds payable (Note 13)	12,356	21,589
Debentures payable (Note 14)	37,739	21,571
Notes payable (Note 15)	533	2,054
Accounts payable and accrued liabilities	7,641	6,198
Future income tax liability (Note 17)	10,685	10,303
Below market leases	314	361
	<u>278,845</u>	<u>278,031</u>

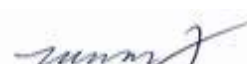

Non-controlling interest in net assets (Note 11)

1252,836**Shareholders' Equity**

Equity portion of convertible debt (Note 14)	1,192	966
Share capital (Note 18)	45,156	43,349
Contributed surplus (Note 19)	75	97
Deficit	(20,459)	(16,352)
	<u>25,964</u>	<u>28,060</u>
	<u>\$ 304,934</u>	<u>\$ 308,927</u>

Contingencies, commitments, guarantees, indemnities and litigation – see note 22.

Subsequent events – see note 25.


Michael Zakuta, Director
Earl Brewer, Director*See accompanying notes to the interim consolidated financial statements*

Plazacorp Retail Properties Ltd.
Interim Consolidated Statements of Deficit
For the Six Months Ended June 30, 2010 and 2009 (unaudited)
(In thousands of Canadian dollars)

	2010	2009
Deficit, beginning of the period	\$ (16,352)	\$ (11,316)
Income and other comprehensive income	637	1,781
Dividends	(4,744)	(4,407)
Deficit, end of the period	\$ (20,459)	\$ (13,942)

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.
Interim Consolidated Statements of Income and
Other Comprehensive Income
For the Periods Then Ended (unaudited)
(In thousands of Canadian dollars, except per share
amounts)

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Rental revenues	\$ 12,612	\$ 11,878	\$ 25,508	\$ 23,475
Operating expenses	<u>5,129</u>	5,090	<u>10,316</u>	10,127
Net property operating income	7,483	6,788	15,192	13,348
Investment income	<u>283</u>	341	<u>632</u>	670
Income from properties and investments	7,766	7,129	15,824	14,018
Interest costs	<u>4,277</u>	3,453	<u>8,489</u>	6,786
Income before undernoted	3,489	3,676	7,335	7,232
Administrative expenses	<u>372</u>	293	<u>784</u>	610
Amortization	<u>2,615</u>	2,499	<u>5,266</u>	4,892
Income before undernoted	502	884	1,285	1,730
Gain (loss) on disposal of surplus lands	-	(19)	-	23
Gain on disposal of income producing properties	<u>4</u>	-	<u>16</u>	680
Income before undernoted income taxes, and non-controlling interests	506	865	1,301	2,433
Income tax expense (Note 17)				
– current	<u>11</u>	15	<u>22</u>	30
– future	<u>156</u>	61	<u>382</u>	453
	<u>167</u>	76	<u>404</u>	483
Income before non-controlling interests	339	789	897	1,950
Non-controlling interests	<u>58</u>	81	<u>260</u>	169
Income and other comprehensive income	\$ 281	\$ 708	\$ 637	\$ 1,781
Earnings per share – basic (Note 18c)	\$ 0.006	\$ 0.015	\$ 0.013	\$ 0.037
Earnings per share – diluted (Note 18c)	\$ 0.006	\$ 0.015	\$ 0.013	\$ 0.037

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.	3 Months	3 Months	6 Months	6 Months
Interim Consolidated Statements of Cash Flow	Ended	Ended	Ended	Ended
For the Periods Then Ended (unaudited)	June 30,	June 30,	June 30,	June 30,
(In thousands of Canadian dollars)	2010	2009	2010	2009
Cash obtained from (used for):				
Operating activities				
Income and other comprehensive income	\$ 281	\$ 708	\$ 637	\$ 1,781
Items not affecting cash:				
Non-cash investment income	(223)	(259)	(481)	(500)
Amortization	2,835	2,684	5,670	5,199
(Gain) loss on disposal of surplus lands	-	19	-	(23)
Gain on disposal of income producing properties	(4)	-	(16)	(680)
Stock option compensation	-	5	5	11
Interest relating to debenture accretion	60	8	119	16
Non-controlling interests	58	81	260	169
Future income taxes	156	61	382	453
Straight-line rent revenue	(204)	(361)	(496)	(564)
Leasing fees	(310)	(974)	(508)	(1,166)
Change in non-cash working capital	292	(894)	(819)	(745)
	2,941	1,078	4,753	3,951
Financing activities				
Increase (decrease) in notes payable	6	(25)	(1,412)	338
Issue of common shares	69	-	690	33
Dividends/contributions paid by/received from subsidiaries to non-controlling interests	(48)	1,986	(182)	1,829
Dividends paid to shareholders	(2,377)	(2,214)	(4,744)	(4,407)
Dividend reinvestment proceeds	548	443	1,090	694
Net proceeds from bonds and debentures	(326)	1,178	6,948	1,180
Gross mortgage proceeds	2,543	6,077	24,763	11,726
Financing charges incurred from mortgage placement	(115)	(165)	(431)	(173)
Mortgages paid at maturity	-	(476)	(17,618)	(476)
Periodic mortgage principal repayments	(824)	(756)	(1,628)	(1,461)
	(524)	6,048	7,476	9,283
Investing activities				
Discontinuance of consolidation	-	-	(608)	-
Developments and redevelopments	(9,145)	(11,163)	(12,769)	(20,663)
Net Proceeds from disposal of income producing properties and surplus lands	3	2,398	464	6,266
Bonds – contributions and distributions received	128	241	59	640
Decrease (increase) in notes receivable	463	(1,171)	(187)	(1,250)
Repayment of tenant loans	108	96	246	203
Funding of tenant loans	(396)	(263)	(660)	(263)
Decrease in deposits for acquisition and financing	11	56	30	191
	(8,828)	(9,806)	(13,425)	(14,876)
Net decrease in cash	(6,411)	(2,680)	(1,196)	(1,642)
Cash less bank indebtedness, beginning of the period	9,090	(1,834)	3,875	(2,872)
Cash less bank indebtedness, end of the period	\$ 2,679	\$ (4,514)	\$ 2,679	\$ (4,514)

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.**Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure****For the Periods Ended June 30, 2010 and June 30, 2009 (unaudited)****(In thousands of Canadian dollars, except per share amounts)****I) Gain on Disposal of Income Producing Properties and Sale of Surplus Lands**

During the six months ended June 30, 2010, the Company disposed of a 25% interest in Dufferin & Wilson (Perth) in Perth, ON for net proceeds of \$464 thousand and an accounting gain of \$16 thousand.

During the six months ended June 30, 2009, the Company disposed of a 75% interest in four income producing properties for net proceeds of \$12.4 million and an accounting gain of \$680 thousand. The purchaser assumed mortgages of \$8.7 million resulting in net cash proceeds of \$3.7 million. The Company disposed of surplus land for net proceeds of \$2.5 million with an accounting gain of \$23 thousand.

II) Discontinuance of Consolidation

Plazacorp Ontario1 Limited Partnership was consolidated in the year end and quarterly financial statements during 2009 as a variable interest entity. As of March 31, 2010 it is no longer consolidated as it does not meet the variable interest entity guidelines. The Company also discontinued consolidation of Dufferin & Wilson (Perth, ON), as a 25% interest was sold during the first quarter of 2010.

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Real estate assets				
Investment property	\$ -	\$ -	\$ 12,465	\$ -
Net liabilities	-	-		
Assumed mortgage	-	-	10,932	-
Minority Interests	-	-	2,789	-
Other	-	-	(648)	-
	-	-	13,073	-
Net assets acquired (disposed), funded from cash	\$ -	\$ -	\$ (608)	\$ -

III) Change in Non-Cash Working Capital

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Receivables	\$ 4,558	\$ 1,306	\$ 324	\$ (58)
Prepaid expenses and mortgage deposits	699	721	(2,546)	(2,080)
Accounts payable and accrued liabilities	(4,911)	(2,477)	1,468	1,720
Income taxes payable, net of refundable capital gains tax	(54)	(444)	(65)	(327)
Total cash from change in non-cash working capital	\$ 292	\$ (894)	\$ (819)	\$ (745)

IV) Cash, less Bank Indebtedness

As at June 30,	2010	2009
Cash	\$ 2,679	\$ 1,447
Bank indebtedness	-	(5,961)
Cash less bank indebtedness	\$ 2,679	\$ (4,514)

V) Interest Paid in Cash and Income and Capital Taxes Paid

For the six months ended June 30, 2010, there was \$8.1 million (June 30, 2009 - \$6.9 million) paid in cash for interest expense, and \$125 thousand (June 30, 2009 - \$430 thousand) in income and capital taxes.

Plazacorp Retail Properties Ltd.**Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure****For the Periods Ended June 30, 2010 and June 30, 2009 (unaudited)****(In thousands of Canadian dollars, except per share amounts)****VI) Amortization Charged to Income**

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Amortization of income producing properties	\$ 1,299	\$ 1,198	\$ 2,633	\$ 2,342
Amortization of tenant acquisition costs	1,230	1,193	2,461	2,327
Amortization of intangible assets (excluding above-market tenant leases)	86	108	172	223
Amortization expense per the statement of income and other comprehensive income	2,615	2,499	5,266	4,892
Amortization of financing charges (included with interest costs)	237	212	440	360
Amortization of above/below market leases (included with revenue)	(17)	(27)	(36)	(53)
Total amortization charged to income	\$ 2,835	\$ 2,684	\$ 5,670	\$ 5,199

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

1. Nature of Operations

The Company operates a retail real estate ownership and development business in Ontario, Quebec, and the Atlantic Provinces. The Company was incorporated under the New Brunswick Business Corporations Act on February 2, 1999. On December 11, 2002 the Company amended its articles of incorporation to become a Mutual Fund Corporation as defined in the Income Tax Act (Canada).

2. Basis of Presentation

The Company's accounting policies and its standards of financial disclosure are in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants (CICA), the more significant policies of which are described below.

a) Interim Financial Statements

In the opinion of the Company the accompanying interim consolidated financial statements contain all the adjustments necessary to present fairly the financial position as at June 30, 2010 and December 31, 2009, and the results of operations for the six months ended June 30, 2010 and June 30, 2009 and the changes in cash flows for the six months then ended. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2009.

The results of operations for the six months ended June 30, 2010 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the six month period then ended.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA Handbook Sections 1590, 1600, 3051, 3055 and the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities). For investment entities where the Company has joint ownership and control for accounting purposes, a proportionate share of the assets, liabilities, and operating results are included in the consolidated financial statements. When the Company exercises significant influence, investments are accounted for using the equity method. Entities over which the Company does not exercise significant influence are accounted for using the cost method.

c) Variable Interest Entities ("VIE")

Under Accounting Guideline #15 the Company evaluates each of its joint ventures and partnership arrangements to determine whether the company is at risk for the majority of losses from the entity or is entitled to a majority of the benefits from the entity. As a result of this analysis, the Company has consolidated Plazacorp Ontario2 Limited Partnership (Scugog Street Port Perry, Amherstview) as the guidelines for classification of a variable interest entity have been met. Plazacorp Ontario1 Limited Partnership (Hastings Street Bancroft, Main Street Alexandria, and Ottawa Street) no longer meets the guidelines for classification as a variable interest entity and is not consolidated as of March 31, 2010. There are no other significant changes related to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at June 30, 2010 compared to December 31, 2009, other than as disclosed in this note and the supplemental cash flow disclosure, Discontinuance of Consolidation.

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

d) *Use of Estimates*

The preparation of the Company's financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from such estimates. The significant areas of estimation include impairment of long-lived assets, impairment of goodwill, capitalization of interest to properties under development, useful lives of assets to calculate amortization and allocation of the purchase price on property acquisitions.

e) *Cash and Cash Equivalents*

Cash and cash equivalents represent cash in bank accounts and short-term deposits where the deposit could be turned into cash within three months of acquisition. The Company's cash balance does not include any instruments related to asset-backed securities or commercial paper programs.

f) *Future Accounting Policy Changes*

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The conversion from Canadian GAAP to IFRS will be effective for the first quarter filing for the period ending March 31, 2011 and it will include comparatives for the quarter ending March 31, 2010. The Company has substantially completed a detailed analysis of the differences between GAAP and IFRS.

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests. These standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements, and were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board. Early adoption is permitted at the beginning of a fiscal year. The new standards will be applied by the Company prospectively for fiscal years beginning on or after January 1, 2011.

3. Income Producing Properties

	June 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 62,531	\$ -	\$ 62,531	\$ 63,608	\$ -	\$ 63,608
Buildings	188,741	(26,738)	162,003	187,946	(24,518)	163,428
Tenant acquisition costs	49,398	(19,263)	30,135	49,107	(17,221)	31,886
Furnishings and equipment	1,192	(625)	567	1,192	(592)	600
Parking lot	9,515	(2,444)	7,071	9,056	(2,198)	6,858
Total income producing properties	\$ 311,377	\$ (49,070)	\$ 262,307	\$ 310,909	\$ (44,529)	\$ 266,380

Properties under development that were moved to income producing properties in 2010 represent \$9.4 million of the total income producing properties cost (for the year ended December 31, 2009 - \$47.3 million).

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

4. Properties Under Development

Costs for properties under development include land, construction costs, tenant acquisition costs and other costs related to development including capitalized interest.

The Company capitalized \$286 thousand of interest for the six months ended June 30, 2010 (for the year ended December 31, 2009 - \$812 thousand).

5. Surplus Lands

Surplus lands are made up of land parcels that become surplus after assembly and subdivision of parcels used for development of income producing properties. For the six months ended June 30, 2010, no impairment on surplus land was recognized (for the year ended December 31, 2009 - nil).

6. Notes Receivable

The notes receivable are owed by unrelated parties as a result of funding requirements of another co-owner of a joint venture on a short-term basis during development, and from minority interest shareholders of consolidated entities. The notes are due on demand.

7. Receivables

Receivables consist of the following:

	June 30, 2010	December 31, 2009
Tenant accounts receivable	\$ 270	\$ 368
Excise tax	-	235
Other receivables	326	377
Total receivables	\$ 596	\$ 980

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions, and status of the tenant's account, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at June 30, 2010 is \$20 thousand (December 31, 2009 - \$16 thousand). This amount is deducted from tenant accounts receivable.

8. Tenant Loans

Tenant loans with a national retail tenant have 5 to 10 year terms, interest rates ranging from 7.24% to 9.45%, with 1 to 7 years remaining to maturity.

9. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	June 30, 2010	December 31, 2009
Prepaid expenses	\$ 5,035	\$ 1,209
Deposits for acquisitions and financing	220	250
Deposits, primarily property tax escrows under mortgage agreements	178	1,467
Total prepaid expenses and deposits	\$ 5,433	\$ 2,926

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

10. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	June 30, 2010	December 31, 2009
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 409	\$ 450
MDO Limited Partnership	20%	10%	30%	413	446
Village Shopping Centre Limited Partnership	19.2%	8%	50%	3,086	2,498
Trois Rivieres Limited Partnership	15%	10%	30%	209	224
Plazacorp - Shediac Limited Partnership	10%	8%	50%	215	224
Plazacorp Ontario1 Limited Partnership	25%	-	-	267	-
				4,599	3,842
Cost Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	260	260
				4,859	4,102
Held-to-Maturity Investments⁽¹⁾					
	Maturity Dates	Effective Interest Rate			
Government of Canada bonds and cash – substituted for mortgage security	Sept 1/10 – Dec 15/11	3.47%		2,207	2,278
Total investments				\$ 7,066	\$ 6,380

(1) These investments are restricted to a mortgage under a defeasance agreement which matures on April 1, 2012.

The share of the profits or other compensation, by way of income which the equity accounted investments noted above are entitled to, is distributed first as a preferred return on invested capital, as outlined above with any remaining net income distributed as a residual return.

11. Deficits of Subsidiaries and Non-Controlling Interests in Net Assets

Deficits of subsidiaries, which represent contractual obligations of minority partners to fund deficits consist of the following:

	June 30, 2010	December 31, 2009
Granville Street Properties Limited Partnership	\$ 324	\$ 330
Wildan Properties Limited Partnership	850	857
Plazacorp Ontario2 Limited Partnership ⁽¹⁾	23	6
Total deficits of subsidiaries	\$ 1,197	\$ 1,193

(1) This partnership has been consolidated as a variable interest entity.

Non-controlling interest in net assets consists of the following:

	June 30, 2010	December 31, 2009
Dufferin & Wilson (Perth)	\$ -	\$ 416
Exhibition Plaza Inc.	125	100
Plazacorp Ontario1 Limited Partnership ⁽¹⁾	-	2,320
Total non-controlling interest in net assets	\$ 125	\$ 2,836

(1) This partnership is no longer consolidated as a variable interest entity.

Plazacorp Retail Properties Ltd.**Notes to the Interim Consolidated Financial Statements****For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009****(In thousands of Canadian dollars, except per share amounts)****12. Mortgages Payable**

As at	Rate Range	Weighted Average	Maturity Dates	June 30, 2010	December 31, 2009
Fixed rate loans	5.06% - 7.87%	6.48%	Up to Aug 2024	\$ 176,753	\$ 171,012
Less: unamortized finance charges				(2,596)	(2,831)
				174,157	168,181
Other fixed rate loans	8.00%	8.00%	November 1, 2010	1,358	1,358
Total net fixed rate mortgage loans				175,515	169,539
Variable rate loans - development line of credit	Prime plus 2.00%		July 31, 2010	8,464	12,116
- development line of credit	Prime plus 2.25%		July 31, 2010	8,409	9,894
- development line of credit	Prime plus 0.40%		March 31, 2011	9,074	9,074
- development line of credit	Prime plus 2.00%		July 31, 2010	8,271	8,270
- development line of credit	Prime plus 2.00%		Discharged	-	7,192
Less: unamortized finance charges				(156)	(130)
Total net variable rate loans				34,062	46,416
Net mortgages payable				\$ 209,577	\$ 215,955

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see note 22b Commitments. The unamortized finance charge amount is made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities, the Company has four acquisition and development facilities with Canadian Chartered banks available upon pledging of specific assets. Funding is secured by first mortgage charges on properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value thresholds, debt service, interest coverage and occupancy ratios, and shareholder equity tests. As at June 30, 2010, the Company is in compliance with all covenants.

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

13. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	June 30, 2010					December 31, 2009
	Series II	Series III	Series IV	Series V	Total	Total
Grand Falls Shopping Mall, Grand Falls, NB, 2 nd Mortgage	\$ -	\$ -	\$ 960	\$ -	\$ 960	\$ 6,700
LeMarchant Road Plaza, St. John's, NL, 1 st Mortgage	-	-	-	-	-	1,257
Victoria Street Plaza, Edmundston, NB, 1 st Mortgage	-	-	224	-	224	1,669
Commercial Street-Phase 2, New Minas, NS, 1 st Mortgage	-	-	-	-	-	408
Bedford Commons Plaza, Bedford, NS, 2 nd Mortgage	-	1,280	-	-	1,280	800
Fairville Boulevard, Saint John, NB, 2 nd Mortgage	-	-	-	-	-	185
Granite Drive, New Minas, NS, 2 nd Mortgage	-	-	-	-	-	1,285
Plaza Royale, Shawinigan, QC, 2 nd Mortgage	-	4,070	-	-	4,070	2,510
Fairville Boulevard – Phase 2, Saint John, NB, 2 nd Mortgage	-	-	-	-	-	3,470
Boulevard Hebert Plaza, Edmundston, NB, 1 st Mortgage	-	-	-	1,185	1,185	1,185
Miramichi West, Miramichi, NB, 2 nd Mortgage	-	-	235	-	235	375
Ville Marie Drive Plaza, Marystown, NL, 1 st Mortgage	-	-	-	-	-	260
Miramichi Phase II, Miramichi, NB, 2 nd Mortgage	-	-	177	-	177	177
Main & Victoria, Shediac, NB, 2 nd Mortgage	-	-	167	-	167	167
Main & Western, Sussex, NB, 2 nd Mortgage	-	-	218	-	218	218
Starr's Road Plaza, Yarmouth, NS, 2 nd Mortgage	-	-	379	-	379	379
Kenmount Road Plaza, St. John's, NL, 2 nd Mortgage	-	-	317	-	317	317
Airport Blvd. Plaza, Gander, NL 2 nd Mortgage	-	-	323	-	323	323
Scugog St. Port Perry, Port Perry, ON 2 nd Mortgage	-	800	-	-	800	-
Amherstview, Amherstview, ON 2 nd Mortgage	750	-	-	-	750	-
Silver Fox Plaza, New Minas, NS 2 nd Mortgage	-	1,350	-	-	1,350	-
Gross mortgage bonds outstanding	\$750	\$7,500	\$3,000	\$1,185	\$ 12,435	\$ 21,685
Less: unamortized finance charges					(79)	(96)
Net mortgage bonds outstanding					\$ 12,356	\$ 21,589

	Series II	Series III	Series IV	Series V
Interest Rate	8.5%	8.0%	7.5%	8.0%
Next Redemption Date	N/A	N/A	April 25, 2011	N/A
Maturity Date				
Tranche 1	March 31, 2010	May 26, 2011	June 30, 2012	June 4, 2016
	Nil	\$5,000	\$3,000	\$1,185
Tranche 2	July 16, 2010	July 15, 2011	N/A	N/A
	\$750	\$2,500	N/A	N/A

The mortgage bonds have been secured by first or second charges against the respective properties. The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount for Series II, III and IV. The Company has no right to redeem the Series V bonds prior to the maturity date.

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

14. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

	June 30, 2010				December 31, 2009	
	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series IV	July 31, 2011	7.0%	\$ 4,981	\$ 158	\$ 4,964	\$ 158
Series V	October 14, 2014	8.0%	11,813	808	11,732	808
Series VI	March 31, 2015	7.5%	20,092	226	-	-
Total convertible debentures			36,886	1,192	16,696	966
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	1,633	-	5,159	-
Gross debentures					21,855	966
Less: unamortized finance charges			(780)	-	(284)	-
Net debentures			\$ 37,739	\$ 1,192	\$ 21,571	\$ 966

Convertible and non-convertible subordinate debentures are unsecured. Convertible debenture terms are as follows:

	Series IV	Series V	Series VI
Conversion price	\$4.00	\$3.40	\$3.80
Company's first redemption date	July 1, 2009	October 14, 2012	March 31, 2013
Maturity date	July 31, 2011	October 14, 2014	March 31, 2015
Face value outstanding June 30, 2010	\$5,000	\$12,500	\$20,295

During the six months ended June 30, 2010, no convertible debenture holders exercised their option to convert to common shares (for the year ended December 31, 2009 - \$755 thousand).

15. Notes Payable

Notes payable consists of the following:

	Interest Rate	June 30, 2010	December 31, 2009
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company.	n/a	\$ 264	\$ 261
Promissory note – asset purchases	n/a	-	1,500
Unrelated parties and non-controlling interests	n/a	262	293
Interest bearing notes:			
Entity owned (directly and indirectly), controlled or significantly influenced by Earl Brewer, Chairman and Director of the Company.	8%	7	-
Total notes payable		\$ 533	\$ 2,054

For the six months ended June 30, 2010, the Company expensed \$6 thousand in related party interest (for the year ended December 31, 2009 - \$98 thousand). The note payable to the entity owned by Earl Brewer is payable by Gateway Mall and will be repaid in September 2010. There are no other fixed terms on the notes payable.

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

16. Bank Indebtedness

The Company has a \$7.5 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 2.25%, maturing November 30, 2011. As security, the Company has provided a \$10 million demand debenture secured by a first mortgage over 4 properties. Of the \$7.5 million operating line, nil was drawn as at June 30, 2010 (for the year ended December 31, 2009 - nil).

17. Income Taxes

As a mutual fund corporation, the Company is entitled to a refund of income taxes paid in respect of realized qualifying capital gains upon payment of sufficient capital gains dividends to residents of Canada to affect a refund.

As at December 31, 2009, the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of \$14.9 million, expiring in various years from 2015 to 2028.

The income tax benefit of these losses has been recognized in the financial statements by reducing the future income tax liability arising from the difference between the tax and book values of income producing properties and other assets.

The Company has \$106 thousand in refundable capital gains tax in 2010 and triggered no refunds from the payment of capital gains dividends. As at June 30, 2010 the Company has a refundable capital gains balance of \$133 thousand (December 31, 2009 - \$27 thousand) and an income taxes receivable of \$27 thousand (December 31, 2009 - \$71 thousand).

18. Share Capital

a) Authorized

The Company has authorized an unlimited number of preferred shares and an unlimited number of common voting shares.

b) Issued and Outstanding

	June 30, 2010		December 31, 2009	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the year	48,836	\$ 43,349	47,303	\$ 40,031
Issuance of common shares:				
Shares issued through exercise of stock options	386	717	223	396
Shares issued through dividend reinvestment plan	340	1,090	838	2,132
Shares issued through debt conversion				
- face value debentures	-	-	472	758
- accumulated interest accretion	-	-	-	32
Common shares outstanding, end of the period	49,562	\$ 45,156	48,836	\$ 43,349

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable, at the discretion of the Company. The note payable would bear interest at a rate equal to the prescribed rate of interest under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. As at June 30, 2010, no shareholder had redeemed shares under the mutual fund corporation provisions.

Plazacorp Retail Properties Ltd.

Notes to the Interim Consolidated Financial Statements

For the Periods Ended June 30, 2010 (unaudited) and December 31, 2009

(In thousands of Canadian dollars, except per share amounts)

Pursuant to the Company's Dividend Reinvestment Plan, during the six months ended June 30, 2010 shareholders were issued 340 thousand shares at a weighted average price of \$3.21 per share (for the year ended December 31, 2009 – 838 thousand shares at a weighted average of \$2.54 per share).

c) Earnings per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share considers the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a dilutive effect on earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the diluted per share calculation. For the six months ended June 30, 2010, Series IV, V and VI debentures totalling \$37.8 million convertible to 10.3 million shares were anti-dilutive as were Series V stock options (December 31, 2009 - \$5.0 million in debentures which equates to 1.25 million shares that were anti-dilutive). Series IV stock options totalling \$165 thousand convertible to 60 thousand shares are dilutive.

A reconciliation between the weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

For the Periods Ended	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Basic weighted average shares outstanding	49,463	47,983	49,353	47,807
Effect of dilutive stock options	12	142	11	164
Weighted average number of diluted shares	49,475	48,125	49,364	47,971

19. Stock Options / Contributed Surplus

The Company has a stock option plan whereby directors and certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant. The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model.

A summary of the common share options outstanding is as follows:

	Directors Options		Employees Options	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Options outstanding, beginning of the year	120	120	446	669
Options exercised	-	-	(386)	(223)
Options outstanding, end of the year	120	120	60	446
Outstanding options that are exercisable	120	80	60	446

Details of options outstanding are as follows:

	Series III	Series IV	Series V
Exercise price	\$1.72	\$2.75	\$4.36
Options outstanding	Nil	60	120
Expiry date	February 2, 2010	April 11, 2011	May 6, 2012
Options exercisable	Nil	60	120
Black-Scholes valuation assumptions:			
Expected life of options	5 years	5 years	5 years
Volatility	16%	17%	14%
Risk free rate of return	3.58%	4.34%	4.65%
Dividend rate	6.10%	4.55%	3.40%

The cumulative amount of compensation expensed for options not exercised at the end of the period is \$75 thousand (for the year ended December 31, 2009 - \$97 thousand). This amount is included in Contributed Surplus. The

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Company recorded \$5 thousand in compensation expense related to stock options for the six months ended June 30, 2010 (for the year ended December 31, 2009 - \$20 thousand).

20. Related Party Transactions

Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under a separate management agreement with Plazacorp.

Plaza Group Management Limited is controlled by two directors of Plazacorp, namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board of Plazacorp, Michael Zakuta is President and Chief Executive Officer of the Company. Les Immeubles Plaza Z-Corp Inc. is effectively controlled by Michael Zakuta.

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2010 and 2009.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable costs. The basis of fee payment under the management agreements is as follows:

Plaza Group Management Limited fee structure	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Capital	Cost recovery.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently \$155 per hour.

For the period January 1 through March 29, 2009, management services were provided by Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. From March 30, 2009, forward management services have been provided by Plaza Group Management Limited and Les Immeubles Plaza Z-Corp.

The following amounts were charged under the contracts:

Fee Category	Included for Reporting Purposes In	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
Property Management	Property operating expenses	\$ 770	\$ 794
Corporate Management	Administrative expenses	174	87
Leasing	Tenant acquisition costs and property operating expense	467	552
Development	Income producing properties	189	510
Financing and Equity	Income producing properties and debt costs	393	-
Acquisition	Income producing properties	67	19
Disposition	Gain on disposal of income producing properties or surplus lands	17	189
Legal services	Varies based on service provided	235	221
Total fees billed by the Property Managers		\$ 2,312	\$ 2,372

During the six months ended June 30, 2010, the Company paid nil (for the year ended December 31, 2009 - \$38 thousand) to Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. the Management Companies, to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

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For properties that are consolidated, the fees owing to the Property Managers are as follows:

	June 30, 2010	December 31, 2009
Included with accounts payable and accrued liabilities	\$ 321	\$ 447

The Directors own directly or indirectly the following mortgage bonds and debentures of the Company:

	June 30, 2010	December 31, 2009
Richard Hamm, Director	\$ 400	\$ 1,025
Michael Zakuta, Director	2,163	2,068
Edouard Babineau, Director	2,150	1,850
Earl Brewer, Director	1,655	1,655
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	464	464
Total related party mortgage bonds and debentures held	\$ 8,052	\$ 8,282

For the six months ended June 30, 2010, there were no debentures converted by Directors of the Company, or companies owned and controlled by Directors. There were \$450 thousand in non-convertible debentures and \$175 mortgage bonds redeemed by Richard Hamm for the six months ended June 30, 2010.

The Company is party to nine ground leases with TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer and pays annual rent of \$875 thousand under these leases. The business purpose of the leases is to enhance levered returns on the applicable development assets.

Two directors directly or beneficially, through companies they control, hold interests in common with the Company's 25% interest in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

All related party transactions have been recorded at the exchange amount.

21. Segmented Information

The Company develops, re-develops and acquires shopping malls, strip plazas and single use properties located in Canada. The Company, in measuring performance, does not distinguish or group its operations on a geographical basis. Accordingly the company has a single reportable unit for disclosure purposes under GAAP. One tenant comprises 24.0% (December 31, 2009 – 25.7%) of the Company's rental revenue.

The following table provides geographic information on the company's rental revenue, net property operating income and total asset base:

Province	Rental Revenue		Net Property Operating Income		Total Assets	
	6 Months Ended	6 Months Ended	6 Months Ended	6 Months Ended	June 30, 2010	December 31, 2009
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009		
New Brunswick	\$ 10,559	\$ 9,971	\$ 5,791	\$ 5,143	\$ 131,382	\$ 133,573
Nova Scotia	5,963	4,990	3,642	2,957	78,166	73,109
Quebec	4,621	4,485	2,716	2,530	39,156	38,941
Prince Edward Island	2,047	1,957	1,377	1,285	11,356	11,273
Newfoundland and Labrador	1,108	1,065	703	660	17,233	15,846
Ontario	1,210	1,007	963	773	27,641	36,185
Total	\$ 25,508	\$ 23,475	\$ 15,192	\$ 13,348	\$ 304,934	\$ 308,927

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22. Contingencies, Commitments, Guarantees, Indemnities and Litigation

a) Contingencies

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages to facilitate municipal planning deposit requirements. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 30, 2010. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. For the six months ended June 30, 2010, \$500 thousand (December 31, 2009 - \$500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

The \$27.5 million development facility has a letter-of-credit limit of \$1.5 million available. For the six months ended June 30, 2010, there were no letters-of-credit issued and outstanding under this facility (December 31, 2009 - \$442 thousand).

The \$7.5 million operating line-of-credit has \$2.0 million available for use in the form of letters-of-credit. For the six months ended June 30, 2010, \$489 thousand (December 31, 2009 - \$449 thousand) of such letters-of-credit were issued and outstanding reducing the letter-of-credit availability to \$1.5 million.

b) Commitments

The Company's estimated commitments in respect of certain projects under development and other long-term obligations are:

	Remainder 2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	After 5 Years	Face Value Total	Carrying Amount Total
Mortgages – Periodic Payments	\$ 1,738	\$ 3,508	\$ 3,412	\$ 3,361	\$ 2,693	\$ 2,201	\$ 9,357	\$ 26,270	\$ 26,270
Mortgages – Due at Maturity	3,586	2,704	15,099	11,050	32,457	17,290	69,655	151,841	149,245
Development line-of-credits	34,218	-	-	-	-	-	-	34,218	34,062
Mortgage Bonds Payable	750	7,500	3,000	-	-	-	1,185	12,435	12,356
Debentures	1,633	5,000	-	-	12,500	20,295	-	39,428	37,739
Operating land leases ⁽¹⁾	823	2,557	2,501	2,511	2,595	2,609	130,919	144,515	144,515
Development activities	15,819	-	-	-	-	-	-	15,819	15,819
Total contractual obligations	\$ 58,567	\$ 21,269	\$ 24,012	\$ 16,922	\$ 50,245	\$ 42,395	\$ 211,116	\$ 424,526	\$ 420,006

(1) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at June 30, 2010 is \$14.8 million (December 31, 2009 – \$15.0 million) consisting of: a \$7.8 million mortgage which expires on May 1, 2012; a \$7.0 million mortgage which expires on May 1, 2013; and a \$8.4 million (December 31, 2009 - \$8.5 million) commitment relating to the mortgages on four assets in which the Company sold a 75% interest in January of 2009 and has a weighted average remaining term of 11 years.

The Company assumed a guarantee for the completion of construction for a development line-of-credit held by the Village Shopping Centre Limited Partnership. For the six months ended June 30, 2010 the Village Shopping Centre Limited Partnership has borrowed all of the \$20.0 million line-of-credit. The remaining budgeted development costs are \$2.7 million (December 31, 2009 - \$4.6 million) and the Company's current exposure under the guarantee is estimated to be \$2.7 million (December 31, 2009 – 4.6 million).

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan.

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For the six months ended June 30, 2010 the total exposure on the cross-guarantee is \$671 thousand (December 31, 2009 - \$692 thousand).

d) Litigation

In Management's opinion, any liability that may arise from current or pending litigation would not have a significant adverse effect on these financial statements.

23. Financial Risk Management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. The Company's board of directors monitors management compliance with the Company's risk management policies through periodic reviews. These risks and the action taken to manage them are as follows:

a) Interest Rate Risk

The Company adopts a policy of holding floating rate debt only for properties under development and those pledged to support the operating line. All other debt is converted to fixed rate debt, when the markets conditions are favourable, as soon as practical after an asset attains income producing status.

The Company has classified its fixed rate financial assets and liabilities as held-to-maturity. Therefore a change in fair market value of these fixed rate instruments at the reporting date would not affect net income. The Company minimizes its exposure to fixed rate interest risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Company may attempt to renegotiate its existing debt to take advantage of lower interest rates.

An increase of 100 basis points in interest rates at June 30, 2010, if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of \$342 thousand (December 31, 2009 - \$381 thousand). A change in interest rates at June 30, 2010 would not affect net income with respect to fixed rate instruments. Therefore, no sensitivity analysis is provided for the fixed rate instruments. This calculation is prepared on the same basis as 2009.

b) Occupancy Risk

The Company is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$310 thousand per annum. Plazacorp's principal management of occupancy risk involves the signing of longer term leases and significant preleasing of development space.

c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants which now comprise 93.1% of the in-place tenant base. This is the Company's primary mitigation procedure for exposure to tenant credit risk. The Company limits loans granted under lease arrangements to high credit rating national tenants and estimates the credit exposure on these loans is nil. The Company's credit risk is minimized on investment bonds as they consist of Government of Canada bonds.

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries and joint venture partners only during the development periods subject to reciprocal indemnities, by utilizing established development lines of credit. These guarantees would be limited to the lower of 75% of the asset cost or 65% of the fair market value. See note 22c for details of guarantees.

The Company limits cash transactions to high quality financial institutions to minimize its credit risk from cash and cash equivalents.

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The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying Amount	June 30, 2010	December 31, 2009
Held-to-maturity investments	\$ 2,207	\$ 2,278
Tenant loans, straight-line rent, receivables and note receivables	8,347	8,683
Cash and cash equivalents	2,679	3,875
Total	\$ 13,233	\$ 14,836

The Company's most significant customer, a national retailer, accounts for the \$2.1 million of tenant loans as at June 30, 2010 (December 31, 2009 - \$2.5 million).

d) *Liquidity and Debt Market Risk*

In the current economic climate and capital market, the lenders may continue to tighten their lending standards which could make it challenging for the Company to obtain financing on favourable terms or any terms at all. The Company is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Company's management manages the Company's cash resources based on the financial forecasts and anticipated cash flows. The maturities of the Company's long term financial liabilities are set out in notes 12, 13, 14, 15, 16 and 22. The Company's liquidity management strategy includes accessing development and operating lines of credit as necessary to fulfill financial commitments. Several mortgages and the development lines contain material adverse change clauses which entitle the lender to demand partial or full loan repayment when there are material adverse changes in the Company's financial position. Management has determined that circumstances that could trigger action by a lender under these clauses are unlikely.

e) *Fair Value*

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of mortgages are corresponding term Government of Canada Bonds plus credit spreads of 2.00% to 3.85%. The rates used to determine the fair value of mortgage bonds and debentures range from 7.50% and 7.95%. See note 24 for summary of fair values.

The fair value of the Company's financial assets and liabilities that represent net working capital, including cash, receivables, accounts payable and accrued liabilities, and notes payable approximate their recorded values due to their short-term nature and limited marketability.

The Company's fair value of the exposure from mortgage guarantees and indemnities are nil (see note 22c).

The estimated fair value of the Company's long-term debt including mortgages payable, mortgage bonds payable, debentures payable, and notes payable is estimated based on the values derived using current interest rates for each related instrument with similar terms and conditions. For the six months ended June 30, 2010, the fair value of the Company's long-term debt exceeds the book value by \$6.7 million (December 31, 2009 - (\$5.6) million), see note 24.

For the six months ended June 30, 2010, the fair value of the Company's investment in Government of Canada Bonds of \$2.2 million (December 31, 2009 - \$2.3 million) exceed its recorded value by \$52 thousand (December 31, 2009 - \$70 thousand). The Company had no exposure to financial hedges or embedded derivatives for the six months ended June 30, 2010.

24. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize shareholder value. The Company manages its capital structure with the

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primary goal of minimizing risk to the stability of cash flow from properties. Other goals include maintaining debt service and interest coverage ratios in compliance with bank and debenture covenants. The Company has defined its capital to include bank indebtedness, mortgages payable, debentures, mortgage bonds payable, notes payable and shareholders' equity.

Bank operating and development lines require maintenance of at least \$15 million of shareholders equity; maintenance of debt service ratios in excess of 1.45 times to 1.5 times; and interest coverage ratios of 1.65 times, with all debt service ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. In addition, under a development line, the company must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets plus accumulated amortization of not more than 70%. The company is in compliance with all debt covenants.

There were no changes to the Company's approach to capital management for the six month period ended June 30, 2010.

The calculation of the total capital is summarized as follows:

	Book Value June 30, 2010	Fair Value June 30, 2010	Book Value December 31, 2009	Fair Value December 31, 2009
Capital				
Total net fixed rate mortgage loans	\$ 175,515	\$ 181,037	\$ 169,539	\$ 163,210
Total net variable rate loans	34,062	34,062	46,416	46,416
Mortgage bonds payable	12,356	12,389	21,589	21,675
Debentures payable	37,739	38,893	21,571	22,573
Notes payable	533	533	2,054	2,054
	260,205	266,914	261,169	255,928
Shareholders' Equity	25,964		28,060	
Total Capital	\$ 286,169		\$ 289,229	

25. Subsequent Events

Stock Options and Dividend Reinvestment Plan

On August 16, 2010, 98 thousand shares were issued at a purchase price of \$3.26 per share for a total of \$318 thousand under the dividend reinvestment plan.

Financing

Long-term financing was obtained for Scugog Street (Port Perry) and Amherstview in the amount of \$4.1 million and \$4.36 million, respectively. The loans have a ten year term at an interest rate of 4.92%.

Les Promenades du Cuivre was refinanced for a ten year term in the amount of \$7.0 million and an interest rate of 6.276%.

The \$7.5 million operating line has been reduced to \$5.285 million as a result of removing a property from the line.

The \$27.5 million development line which expired on July 31, 2010 was renewed for one year. The limit has been reduced to \$25 million to manage standby fees and the interest rate will be prime plus 1.25% or BA's plus 2.75%.

The \$9.9 million development line which expired on July 31, 2010 has been discharged and long-term financing was obtained. Long-term financing was obtained for Fairville Boulevard – 1 for \$10.5 million with a ten year term and an interest rate of 4.841%.

The \$17.5 million development line which expired on July 31, 2010 has been renewed for one year. The limit has been reduced to \$15.0 million to manage standby fees at an interest rate of prime plus 1.25% or BA's plus 2.75%.

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