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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
**GROUP OF FUNDS**

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Realpool Fund

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **British Columbia Investment Management Corporation Pooled Investment Portfolios**

British Columbia Investment Management Corporation [bcIMC] manages the Realpool Investment Fund [Fund] on behalf of governing fiduciaries such as pension fund trustees and other public sector clients.

The 2010 financial statements of the Fund have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these statements are disclosed in note 2 to the financial statements. The statements include certain amounts that are based on management's judgment and best estimates.

bcIMC's Board has established an Audit Committee. The Committee's mandate includes making recommendations on the appointment of the external auditor for the Realpool Investment Fund, reviewing the external audit plan; reviewing bcIMC's Report on Controls Placed in Operation and Tests of Operating Effectiveness of Controls for the Investment System of British Columbia Investment Management Corporation, and receiving the annual audited financial statements of the Realpool Investment Fund. The Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

bcIMC maintains systems of internal control and supporting processes to provide reasonable assurance that assets are safeguarded; that transactions are appropriately authorized and recorded; and that there are no material misstatements in the financial statements. bcIMC's internal control framework includes: a strong corporate governance structure; a code of conduct that includes conflict of interest guidelines; an organization structure that provides for appropriate segregation of duties and accountability for performance; an enterprise-wide risk management framework that identifies, monitors and reports on key risks; and Board-approved pooled investment portfolio policies and client-approved investment mandates. bcIMC's system of internal control is supported by internal and external auditors who review and evaluate internal controls and report directly to the Audit Committee.

The Fund's external auditors, Ernst & Young, have full and unrestricted access to the Audit Committee and bcIMC management. Ernst & Young discusses with management and the Committee the results of their audit of the Fund's financial statements and related findings with respect to such audit. The Fund is audited by Ernst & Young in accordance with Canadian generally accepted auditing standards. Ernst & Young has performed such tests and other procedures as they considered necessary to express an opinion on the Fund's financial statements.



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Doug Pearce  
Chief Executive Officer,  
Chief Investment Officer



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David Woodward  
Vice President, Finance & Operations

Victoria, British Columbia,  
March 21, 2011.

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of  
**Realpool Investment Fund**

We have audited the accompanying financial statements of **Realpool Investment Fund**, which comprise the statement of net assets and investments as at December 31, 2010, and the statement of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Realpool Investment Fund** as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst + Young LLP*

Vancouver, Canada,  
March 21, 2011.

Chartered Accountants

## Realpool Investment Fund

### STATEMENT OF NET ASSETS

[in \$000s except number of units outstanding]

As at December 31

	2010	2009
	\$	\$
<b>ASSETS</b>		
Investments, at fair value	9,666,559	9,392,202
Cash	70,441	115,660
Receivable from sale of investments	—	2,429
Receivable from issue of units	886,000	—
Accrued investment income	64	120
	<u>10,623,064</u>	<u>9,510,411</u>
<b>LIABILITIES</b>		
bclMC funds management fees payable [note 8]	330	314
Payable for redemption of units	16,000	75,000
Accounts payable	778	1,345
<b>Total liabilities</b>	<u>17,108</u>	<u>76,659</u>
Commitments and contingencies [notes 9 and 10]		
<b>Net assets representing unitholders' equity</b>	<u>10,605,956</u>	<u>9,433,752</u>
Number of units outstanding [note 11]	1,992.845	1,920.668
<b>Net asset value per unit</b>	<u>5,322</u>	<u>4,912</u>

See accompanying notes



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Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

## Realpool Investment Fund

### STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in \$000s]

Year ended December 31

	2010	2009
	\$	\$
Investment income	<u>32,643</u>	<u>35,078</u>
<b>Expenses</b>		
bcIMC funds management fees <i>[note 8]</i>	3,455	3,831
Administrative and professional fees	2,102	3,331
Commissions and stock exchange fees	651	47
Custodial fees	1	3
	<u>6,209</u>	<u>7,212</u>
<b>Net investment income</b>	<u>26,434</u>	<u>27,866</u>
Realized and unrealized gains (losses)		
Net realized gain	187,386	139,084
Change in unrealized gain (loss)	548,384	(994,606)
	<u>735,770</u>	<u>(855,522)</u>
<b>Net income (loss) from operations</b>	<u>762,204</u>	<u>(827,656)</u>
Capital transactions		
Proceeds from units issued	932,900	202,636
Amounts paid for units redeemed	(522,900)	(492,636)
	<u>410,000</u>	<u>(290,000)</u>
<b>Increase (decrease) in net assets</b>	<u>1,172,204</u>	<u>(1,117,656)</u>
Net assets, beginning of year	9,433,752	10,551,408
<b>Net assets, end of year</b>	<u>10,605,956</u>	<u>9,433,752</u>

*See accompanying notes*

## Realpool Investment Fund

### STATEMENT OF INVESTMENTS

[in \$000s]

As at December 31

	2010		2009	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Real estate investments<sup>1</sup></b>	<b>9,257,118</b>	<b>5,129,834</b>	<b>8,875,485</b>	<b>5,295,766</b>
<b>Equities</b>				
Publicly traded	—	—	12,964	11,386
<b>Fixed income investments<sup>2</sup></b>	<b>393,592</b>	<b>463,906</b>	<b>406,758</b>	<b>479,343</b>
<b>Money market investment</b>				
Units in bcIMC Pooled				
Investment portfolio				
Fund ST1	1,892	1,892	307	307
Fund ST2	13,957	13,982	96,688	96,838
	<b>15,849</b>	<b>15,874</b>	<b>96,995</b>	<b>97,145</b>
<b>Total investments</b>	<b>9,666,559</b>	<b>5,609,614</b>	<b>9,392,202</b>	<b>5,883,640</b>

<sup>1</sup>Real estate investments are held through private corporations and limited partners [note 6].

<sup>2</sup>See note 5 for further details on fixed income investments.

See accompanying notes



## Realpool Investment Fund

### STATEMENT OF CASH FLOWS

[in \$000s]

Year ended December 31

	2010	2009
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) from operations	762,204	(827,656)
Add (deduct) items not affecting cash		
Net realized loss (gain)	(187,386)	(139,084)
Change in unrealized loss (gain)	(548,384)	994,606
	<u>26,434</u>	<u>27,866</u>
Changes in non-cash operating accounts		
Receivable from issue of units	(886,000)	125,000
Receivable from sale of investments	2,429	(2,429)
Accrued investment income	56	185
bcIMC funds management fees payable	16	(6)
Payable for redemption of units	(59,000)	40,000
Accounts payable	(567)	587
<b>Cash provided by (used in) operating activities</b>	<u>(916,632)</u>	<u>191,203</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,363,321	1,812,398
Purchase of investments	(901,908)	(1,614,375)
<b>Cash provided by investing activities</b>	<u>461,413</u>	<u>198,023</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from units issued	932,900	202,636
Amounts paid for units redeemed	(522,900)	(492,636)
<b>Cash provided by (used in) financing activities</b>	<u>410,000</u>	<u>(290,000)</u>
<b>Net increase (decrease) in cash</b>	<u>(45,219)</u>	<u>99,226</u>
Cash, beginning of year	115,660	16,434
<b>Cash, end of year</b>	<u>70,441</u>	<u>115,660</u>

See accompanying notes

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### 1. THE PORTFOLIO

British Columbia Investment Management Corporation ["bcIMC"] was established under the *Public Sector Pension Plans Act* as a trust company authorized to carry on trust business and investment management services. These financial statements have been prepared by bcIMC and are the responsibility of bcIMC management.

Under the *Public Sector Pension Plans Act* and the *Pooled Investment Portfolios Regulation*, B.C. Reg. 447/99, bcIMC may establish and operate pooled investment portfolios "... in which money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio." In addition, pooled investment portfolios [the Funds] previously established under the *Financial Administration Act* and the *Pooled Investment Portfolios Regulation*, B.C. Reg. 84/86, were continued under the *Pooled Investment Portfolios Regulation*, B.C. Reg. 447/99, to be held in trust by bcIMC and invested by the Chief Investment Officer of bcIMC.

The Realpool Investment Fund [the "Fund"] was established on July 3, 1991 and invests in diversified Canadian income-producing properties including institutional-grade Canadian office, industrial, residential, retail, hospitality and mixed-use properties.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"].

##### Valuation

Investments and investment-related receivables and liabilities are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

Fair value is determined as follows:

- [i] Money market securities values are derived from external market quotations provided by recognized data suppliers in the securities industry.
- [ii] Bonds, debentures, real return bonds, and public equities [including exchange-traded funds] are valued at bid prices on the valuation date. Securities not traded on that date are valued at the mean price between the latest bid and asked quotations. Securities not listed on any stock exchange, or which are traded over-the-counter, are valued in the same manner based on available public quotes from recognized data suppliers in the securities industry or at the price estimated by the fund manager to be the fair value.
- [iii] Private business enterprises are valued using various methodologies including discounted cash flows, income multiples and net assets available to shareholders.
- [iv] Fixed-rate, fixed-term mortgages are valued based on a discounted cash flow model that uses a risk-free rate of return and a mortgage credit spread for each mortgage using information received from independent external sources. Variable rate mortgage values are determined based on the principal balance of the mortgages less any provisions for impairment.

#### Income recognition

Investment transactions are accounted for on a trade date basis. Dividend income is recognized on the ex-dividend date and interest income on the accrual basis. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal of an investment are expensed as incurred. Pursuit costs are charged to net income of the Fund in the period incurred.

Gains and losses on the sale of investments are recorded as net realized gains and losses. Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and cost. The year-over-year change in the difference between the fair value and the cost of investments and foreign currency contracts held at year end is recognized as unrealized gains or losses. The cost used for the calculation of realized gains and losses and change in unrealized gains and losses is based on average cost for equities, and amortized cost for money market securities and fixed income securities. The amortized cost is the cost of acquisition adjusted by amortization of discounts and premiums on a true constant yield basis over the terms of the investments.

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### Issue and redemption of units

Participation in the Fund is expressed in units. The initial value of a unit of the Fund was \$1 million. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio by the total number of units outstanding. Where one Fund invests in another Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

#### Income taxes

The Fund represents assets held by bcIMC, as trustee, and as bcIMC is an agent of the crown, the Fund, which is a trust, is not subject to tax on income and gains realized from such assets. All income and net capital gains realized by the Fund are distributed or made payable by regulation to unitholders of the Fund prior to the end of each calendar year. Most subsidiary companies held by the Fund are exempt from Canadian income tax under paragraph 149(1)(o.2) of the *Income Tax Act (Canada)* although some taxable subsidiary companies are held by the Fund.

#### Use of estimates

Financial statements prepared in accordance with Canadian GAAP require management to make certain estimates and assumptions that can affect the reported balances. In determining the fair value of some of its investments, management relies on external appraisers' or external asset managers' estimates and assumptions regarding industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

### 3. ADOPTION OF ACCOUNTING STANDARDS IN CURRENT FISCAL YEAR

There were no accounting standard changes required to be adopted in the current year.

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### 4. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ["IFRS"] will replace Canadian GAAP for all publicly accountable enterprises on January 1, 2011. The International Accounting Standards Board has announced its intention to adopt standards that require investment companies to measure their investments at fair value without consolidation but the standard will not likely be issued until sometime in 2012. The Accounting Standards Board of Canada amended Canadian GAAP to allow entities that are currently applying Accounting Guideline 18, *Investment Companies*, to apply pre-changeover standards until fiscal years beginning on or after January 1, 2013.

As a result of these developments, the financial statements for the year ended December 31, 2011 and December 31, 2012 will be prepared based on Canadian GAAP using either the pre-changeover standards or IFRS as amended for the consolidation exemption for investment companies, as applicable. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the financial statements of the Fund.

#### 5. FIXED INCOME INVESTMENTS

The fixed income investments are all securities issued by Realpool's wholly owned subsidiary entities. These comprise two types of securities: variable interest notes and fixed rate notes. The note terms are as follows:

Description	Interest	Maturity	2010 Fair value [\$000s]	2010 Cost [\$000s]	2009 Fair value [\$000s]	2009 Cost [\$000s]
Variable interest notes	4% - 12% interest based on prior years EBITDA of the issuer	September 30, 2017 to August 13, 2023	305,348	375,662	342,502	415,087
Fixed rate notes	12% - 15%	March 31, 2010 to December 6, 2017	88,244	88,244	64,256	64,256
			<b>393,592</b>	<b>463,906</b>	<b>406,758</b>	<b>479,343</b>

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### 6. FINANCIAL RISK MANAGEMENT

The investment objective of the Fund is to provide clients with exposure to a portfolio of Canadian real estate and real estate-related investments. The Fund's holdings are highly diversified by property type, geographic location, investment size, and investment risk. The Fund primarily concentrates on high-quality income-producing Canadian office, industrial, residential, retail, hospitality and mixed-use properties located in geographic regions that have strong and growing economies. The Fund's investment strategy is to be well diversified and to hold quality properties that will perform well across multiple economic cycles. Real estate investments are only made when there is a reasonable expectation that return objectives can be achieved over a ten-year horizon.

The Fund invests in the following assets:

- eligible real estate investments for pension plans under the *Pensions Benefits Standards Act* (B.C.);
- real estate-related investments, including trust units, partnership interests, shares and debt;
- units in the Managers' pooled funds provided such holdings are permissible investments for the Fund;
- government debt securities with a maximum term to maturity of one year; and
- bclMC Canadian Money Market Funds ST1 and ST2.

The following restrictions apply to the Fund's use of debt financing:

- it may only be used in a prudent manner for real estate and real estate-related investment;
- it may not be created if, as a result, the debt to market value ratio of the overall real estate portfolio would exceed 25 percent, except in the case of assumption or renewal of existing debt; and
- Another 5 percent is allowed for the assumption or renewal of existing debt.

The Fund holds most of its investments through wholly owned non-consolidated corporations or limited partnerships. The risk disclosure outlined below describes the financial risk related to the Fund and the wholly owned corporations and limited partnerships and underlying investments.

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### Credit risk

Credit risk arises from the possibility that tenants, hotel guests and third-party hotel owners may experience financial difficulty and be unable to meet their obligations to Realpool entities. The Fund's credit risk is limited to the recorded amount of these obligations. To mitigate these risks, the Fund has a diverse set of tenants in a variety of industries, and the Fund performs ongoing credit evaluations of its customers and establishes allowances for potential losses.

#### Liquidity risk

Liquidity risk is the risk that the Fund will be unable to generate sufficient cash in a timely manner or at a reasonable price to meet commitments as they come due. The Fund is exposed to the liquidity risk associated with the requirement to redeem units. Units of the Fund may only be acquired by eligible clients or client groups in accordance with the Fund's purchasing limits that may be established by the Chief Investment Officer ["CIO"]. In order to protect the interest of all clients, the CIO may also establish redemption limits for the Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

#### Interest rate risk

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments will fluctuate due to changes in market interest rates. The promissory note and variable rate notes of the Fund are receivable from the underlying corporations and limited partnerships, so the Fund is not subject to interest rate risk on these financial instruments.

The mortgages of the underlying non-consolidated corporations and limited partnerships bear interest rates up to 9.0% [2009 - 9.0%] with a weighted average of 5.27% [2009 - 5.36%]. They are due at various dates to 2026.

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

Principal payments on the mortgages are due as follows:

	<u>\$000s</u>
2011	173,057
2012	161,734
2013	209,685
2014	343,011
2015	32,166
2016 and thereafter	<u>227,823</u>
	<u>1,147,476</u>

The notes payable of the underlying non-consolidated corporations and limited partnerships are unsecured and have the following terms and interest rates:

<u>Issue</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>2010</u> \$000s	<u>2009</u> \$000s
Series 3	February 10, 2011	4.10%	<b>149,906</b>	149,906
Series 4	February 10, 2015	4.65%	<b>149,894</b>	149,894
Series 5	September 19, 2012	5.24%	<b>249,886</b>	249,766
Series 6	January 5, 2018	5.65%	<b>199,500</b>	199,390
Series 7	January 29, 2015	3.38%	<b>200,000</b>	—
			<b>949,186</b>	748,956

As at December 31, 2010, if the interest rates increased or decreased by 1% with other variables held constant, the fair value of the mortgages and notes payable would decrease by \$59,733 and increase by \$66,014, respectively.



## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### Other valuation risk

As at December 31, investments held by the underlying non-consolidated corporations and limited partnerships are diversified across the following property sectors:

<b>Real estate properties</b>	<b>2010</b> \$000s	<b>2010</b> % of Total	<b>2009</b> \$000s	<b>2009</b> % of Total
Retail	1,214,060	10.5	1,062,682	9.7
Office	5,552,750	47.9	5,046,525	46.1
Industrial	1,490,095	12.9	1,393,280	12.7
Residential	1,944,052	16.8	1,862,548	17.0
Hospitality	719,398	6.2	746,184	6.8
Property held for/under development	664,405	5.7	844,904	7.7
<b>Total real estate properties</b>	<b>11,584,760</b>	<b>100.0</b>	<b>10,956,123</b>	<b>100.0</b>

As at December 31, investments held by the underlying non-consolidated corporations and limited partnerships are diversified across the following geographic regions in Canada:

<b>Real estate properties</b>	<b>2010</b> \$000s	<b>2010</b> % of Total	<b>2009</b> \$000s	<b>2009</b> % of Total
British Columbia	2,135,724	18.4	1,967,691	18.0
Alberta	4,020,527	34.7	3,841,008	35.1
Saskatchewan	140,200	1.2	124,520	1.1
Manitoba	179,015	1.5	169,210	1.5
Ontario	4,372,874	37.8	4,050,038	37.0
Quebec	556,830	4.8	660,292	6.0
Prince Edward Island	5,500	0.1	4,900	0.1
New Brunswick	23,600	0.2	22,534	0.2
Nova Scotia	147,990	1.3	113,630	1.0
Newfoundland	2,500	—	2,300	—
<b>Total real estate properties</b>	<b>11,584,760</b>	<b>100.0</b>	<b>10,956,123</b>	<b>100.0</b>

Other net investment (assets and liabilities) were in a net liability position of \$1,918,201 [2009 - net liability \$1,563,921].

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### 7. FAIR VALUE MEASUREMENTS

CICA 3862, *Financial Instruments – Disclosures*, establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs to value the Fund's investments.

The following is a summary of the inputs used as at December 31 in valuing the Fund's investments carried at fair value:

Type of security	Assets at fair value at December 31, 2010			Total \$
	Quoted prices in active markets for identical assets [Level 1] \$	Significant other observable inputs [Level 2] \$	Significant unobservable inputs [Level 3] \$	
Money market investments	—	15,849	—	15,849
Public equities	—	—	—	—
Private equities	—	—	9,257,118	9,257,118
Bonds	—	—	393,592	393,592
	—	15,849	9,650,710	9,666,559

During the year ended December 31, 2010, the reconciliation of investments measured at fair value using significant unobservable inputs [Level 3] is as follows:

Reconciliation of Level 3 balances	Private equities \$	Bonds \$	Total \$
Beginning balance, January 1, 2010	8,875,485	406,758	9,282,243
Net purchases and sales	(351,792)	(15,437)	(367,229)
Net transfers into and/or out	—	—	—
Realized gains	185,859	—	185,859
Change in unrealized appreciation/depreciation	547,566	2,271	549,837
<b>Ending balance, December 31, 2010</b>	<b>9,257,118</b>	<b>393,592</b>	<b>9,650,710</b>

## Realpool Investment Fund

### NOTES TO FINANCIAL STATEMENTS

[in \$000's except number of units outstanding]

December 31, 2010

#### 8. EXPENSES

Investment management fees are paid to external fund managers by the Fund for providing investment management and advisory services through subsidiary entities. Third-party costs that are attributable to the Fund are charged to the Fund. Other costs initially borne by bcIMC are recovered from the Fund by bcIMC charging management fees, which are calculated on a cost recovery basis.

#### 9. COMMITMENTS

The Fund, its wholly owned corporations and limited partnerships have property purchase and development commitments of \$126.3 million [2009 - \$343.5 million], unfunded commitments to certain investment funds of \$4.4 million [2009 - \$6.7 million], commercial purchasing card lines of credit of \$5.2 million [2009 - \$5.2 million], and have issued letters of credit totalling \$15.3 million [2009 - \$13.6 million].

#### 10. CONTINGENCIES

Certain investments of the Fund may, in the normal course of business activities, be involved in disputes with third parties. bcIMC management assesses the likelihood of loss relating to any disputes and has determined that such disputes would not have a material impact on the net asset value of the Fund.

#### 11. UNITS OUTSTANDING

Units issued and outstanding represent the capital of the Fund. bcIMC manages the capital of the Funds in accordance with the Fund's investment objectives, including managing liquidity in order to meet redemptions as discussed in note 6. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the year. The following is a summary of the changes in units outstanding during the year:

	2010	2009
	\$	\$
Outstanding, beginning of year	1,920,668	1,978,259
Issued	176,231	41,442
Redeemed	(104,054)	(99,033)
Outstanding, end of year	<u>1,992,845</u>	<u>1,920,668</u>

**Realpool Investment Fund**

**NOTES TO FINANCIAL STATEMENTS**

[in \$000's except number of units outstanding]

December 31, 2010

**12. SUBSEQUENT EVENTS**

On January 7, 2011, the Fund indirectly acquired 100% of Parkbridge Lifestyle Communities Inc., a public company, at \$7.30 per share for total consideration of \$545,103.