

Annual Report of the Independent Review Committee of the Harvest Banks & Buildings Income Fund (the "Fund")

February 16, 2010

IRC Annual Report to: Securityholders in the Fund

Dear Securityholder,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** ("NI 81-107" or the "Instrument"), the Manager established an Independent Review Committee (the "Committee" or "IRC") for the Fund in September 2009. The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Fund, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC met with the Manager in September 2009 to establish our charter, to complete our orientation and education concerning the fund and the manager and to review the Manager's policies and procedures relating to conflict of interest matters.

The IRC is pleased to publish its annual report to securityholders, covering the period from September 28, 2009 to December 31, 2009 ("the Reporting Period").

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Fund. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Fund, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures, hereinafter referred to as the Conflict of Interest Matters manual.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC's prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions ("SIs") that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Fund in any matter where the Manager has referred a conflict of interest matter to it. In those cases, it has sought to ensure that the Manager's proposed course of action represents a fair and reasonable result for the Fund.

The IRC has engaged Independent Review Inc. to assist it in its duties in accordance with the provisions of the Instrument and the IRC's written charter, to provide certain administrative and record keeping functions, and to act as the IRC's independent secretariat.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Chair: Jane Davis, Toronto, Ontario	Corporate Director, former Global Head of Risk Management at RBC	Two years and three months from September 30, 2009
Adam Conyers, Ashburn, Ontario	CFO: Gedex Inc.	One year and three months from September 30, 2009
Don Hathaway, Toronto, Ontario	Corporate Director, Vice Chair, Institute of Corporate Directors	One year and three months from September 30, 2009

There were no changes in the composition of the IRC during the Reporting Period.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation giving consideration to the following:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

Members' Fees

In aggregate the IRC members were paid \$7,500 in 2009, plus applicable taxes.

Indemnities Granted

The Fund and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Fund or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2009, the IRC Members did not beneficially own, directly or indirectly:

- any units in the of the Fund;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or the Fund.

Recommendations and Approvals

The Committee made no recommendations or approvals during the Reporting Period.

Standing Instruction Approved

The IRC has approved one Standing Instruction (SI), which constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC. The Manager relied on the SI during the Reporting Period.

Standing Instruction No. 1: Omnibus.

This SI deals with a number of conflict of interest matters including:

1. Fees and Expenses
2. Trade Allocations
3. Portfolio Pricing Issues
4. Pricing Errors and other Errors
5. Best Execution Issues
6. Distribution Issues
7. Showing Favoritism
8. Sub-Managers and Sub-Advisors
9. Outsourcing to Third-party Services
10. Personal Trading
11. Benchmarking Indices
12. Late Trading
13. Client Complaints
14. Capacity Issues

Manager's Report on its Standing Instruction

In accordance with the Instrument, the Manager provided a written report to the IRC describing its reliance on the SI during the Reporting Period.

This report is available on the Manager's website at <http://www.harvestportfolios.com> or you may request a copy, at no cost to you, by contacting the Manager at 416-649-4541 or toll free at 866-998-8298 or email the Fund at info@harvestportfolios.com. This document and other information about the Fund are available on www.sedar.com

Yours truly,



Jane Davis, Chair

Schedule of IRC Members who sit on IRCs for other Fund Families

Jane Davis serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by O'Leary Funds Management L.P.;

Investment funds that are reporting issuers managed by The International Scholarship Foundation;

Investment funds that are reporting issuers managed by Man Investments Canada Corp.; and

Investment funds that are reporting issuers managed by ING Direct Asset Management Ltd.