

**COMINAR REAL ESTATE INVESTMENT TRUST**

**ANNUAL INFORMATION FORM**

**For the year ended December 31, 1999**

**May 19, 2000**

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## GLOSSARY

The following terms used in this Annual Information Form have the meanings set out below:

**"Adjusted Unitholders' Equity"** means, at any time, the aggregate of the amount of Unitholders' equity and the amount of accumulated depreciation recorded in the books and records of the REIT in respect of its properties calculated in accordance with generally accepted accounting principles, plus any discount on any instalment receipts receivable.

**"Assets"** means the movables, fixtures and leasehold improvements previously owned by the Dallaire Family and relating to the properties acquired in 1998 from the Dallaire Group under the Purchase Agreements, including without limitation, all motor vehicles, equipment, systems, computers (hardware and software), databases, marketing tools, inventories, the trade name "Cominar" and related trade marks, books and records, tools, furniture, generators and maintenance equipment and supplies.

**"associate"** has the meaning ascribed thereto in the *Canada Business Corporations Act*, as amended from time to time.

**"Associate"** means, where used to indicate a relationship between an individual and a corporation, an individual who beneficially owns, directly or indirectly, voting securities carrying more than 10 % of the voting rights attached to all voting securities of the corporation, a spouse of such individual or an immediate family member of such individual and, where used to indicate a relationship between an individual and a partnership, a partner of that partnership and, if such partner is an individual, a spouse of such individual or an immediate family member of such individual.

**"Compensation and Governance Committee"** means the Compensation and Governance Committee of the Trustees described under "Management of the REIT — Compensation and Governance Committee".

**"Contract of Trust"** means the contract of trust made as of March 31, 1998, governed by the laws of the Province of Québec, pursuant to which the REIT was established, as amended, supplemented or restated from time to time.

**"Dallaire Family"** means Jules Dallaire, his wife, their children and the spouses of such children.

**"Dallaire Group"** means, collectively, "Corporation Financière Alpha (CFA) inc." previously known as "Immeubles Cominar inc.", "Société en Commandite Alpha-Québec" previously known as "Société en Commandite Cominar" and "AM Total Investments, general partnership" previously known as "Société en nom collectif Cominar", which are controlled by members of the Dallaire Family, or any one or more of them, as the context requires.

**"Dallaire Group Units"** means the Units of the REIT issued to the Dallaire Group in partial payment of the consideration payable to the Dallaire Group for the properties and Assets acquired from the Dallaire Group under the Purchase Agreements.

**"Distributable Income"** means the amount of cash available to be distributed by the REIT, calculated as set out under "Distribution Policy".

**"Distribution Date"** shall have the meaning ascribed thereto under "Distribution Policy".

**"Distribution Reinvestment Plan"** means the distribution reinvestment plan of the REIT described under "Distribution Reinvestment Plan".

**"Greater Québec City Area"** means the area comprised of the City of Québec, and the City of Sainte-Foy, the City of L'Ancienne-Lorette, the City of Beauport, the City of Charlesbourg, the City of Lévis, the City of Loretteville, the City of Saint-Romuald and the City of Vanier, all in the vicinity of the City of Québec.

**"Gross Book Value"** means, at any time, the book value of the assets of the REIT, as shown on its then most recent balance sheet, plus the amount of accumulated depreciation shown thereon.

**"Immovable hypothec"** means a secured interest in an immovable property under the laws of the Province of Québec.

**"Immovable property"** means immovable property under the laws of the Province of Québec or real property under other applicable law.

**"Independent Trustee"** means a Trustee: (i) who is not a member of the Dallaire Family, an Associate, director, officer or employee of a corporation or partnership comprising the Dallaire Group or an affiliate thereof; (ii) who is not related (as defined in The Toronto Stock Exchange Guidelines on Corporate Governance) to the Dallaire Group; (iii) who is not a person who is a "related person" (within the meaning of the *Tax Act*) in relation to the Dallaire Group or to any member of the Dallaire Family; (iv) who has no material business relationships with the REIT (other than his election or appointment as Trustee or, subject to the provisions of the Contract of Trust, his being a Unitholder), the Dallaire Group and any member of the Dallaire Family; and (v) who represents to the REIT, upon his election or appointment as Trustee, that he meets the foregoing criteria. A Trustee of the Dallaire Group shall be deemed not to be an Independent Trustee.

**"Investment Committee"** means the investment committee of the Trustees described under "Management of the REIT — Investment Committee".

**"Management"** means the management of the REIT.

**"Non-Competition Agreement"** means the non-competition agreement dated May 21, 1998 among the REIT, the Dallaire Group, and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire.

**"Portfolio"** means a 100% ownership interest in each of the Properties.

**"Properties"** means unless the context otherwise requires, collectively, as at March 31, 2000, the 66 office, retail, industrial and mixed use properties owned by the REIT, and **"Properties"** means any one of them.

**"Property Closing"** means the closing of the transactions contemplated by the Purchase Agreements.

**"Purchase Agreements"** means the agreements dated May 21, 1998 among the REIT and the corporation and partnerships comprising the Dallaire Group pursuant to which the REIT acquired the properties and the Assets described in the REIT's prospectus dated May 8, 1998.

**"REIT"** means Cominar Real Estate Investment Trust and, if applicable, includes corporations wholly owned, directly or indirectly, by the REIT.

**"Rights Plan"** means the Unitholders' rights plan of the REIT described under "Unitholders' Rights Plan".

**"Tax Act"** means the *Income Tax Act* (Canada), as amended.

**"Trustees of the Dallaire Group"** means a nominee of Dallaire Group appointed as Trustee as described under "Contract of Trust and Description of Units".

**"Trustees"** means the trustees of the REIT and **"Trustee"** means any one of them.

**"Unit"** means a unit of interest in the REIT issued from time to time in accordance with the Contract of Trust and includes, without limitation, the Dallaire Group Units and, where the context so requires, units of the REIT issued pursuant to the Unit Option Plan, the Distribution Reinvestment Plan or the Rights Plan, and includes a fraction of a unit of the REIT.

**"Unitholder"** means a holder of Units.

**"Unit Option Plan"** means the Unit Option Plan of the REIT described under "Management of the REIT — Unit Option Plan".

## EXPLANATORY NOTES

Unless otherwise noted, in this Annual Information form, measures of leasable area and space refer to net leasable area and measurements in square feet refer to approximate measurements.

**Unless otherwise noted, in this Annual Information Form, all information is presented as at December 31, 1999.**

## **THE REIT**

Cominar Real Estate Investment Trust (the "**REIT**") is an unincorporated closed-end investment trust created by the Contract of Trust under, and governed by, the laws of the Province of Québec.

The REIT was established on March 31, 1998 and began its activities on May 21, 1998, at the time of the completion of its initial public offering, to acquire from the Dallaire Group under the Purchase Agreements the properties and the Assets described in the REIT's prospectus dated May 8, 1998.

On May 21, 1998, the Portfolio was comprised of 51 properties, located in the Greater Québec City Area, comprising 8 offices properties with 842,730 square feet of space, 13 retail properties with 1,075,795 square feet of space and 30 commercial and mixed use properties with 1,155,134 square feet of space representing, in the aggregate, approximately 3.1 million square feet of leasable area (collectively, the "**Initial Properties**").

The REIT acquired a 100 % ownership interest in the Initial Properties including a 100% ownership interest in the lands on which these properties are located and also acquired the Assets consisting of all of the systems and assets of the Dallaire Group relating to the Initial Properties.

In addition, the employees of the Dallaire Group relating to the management of the Initial Properties were transferred on the Property Closing to Les Services Administratifs Cominar Inc., an entity wholly owned by the REIT. The REIT's property and asset management functions are fully internalized and the REIT is a fully-integrated, self-administrated and self-managed real estate investment trust. Management believes that a fully internalized management structure is preferable to a structure subject to third party management contracts.

Between January 1, 1999 and March 31, 2000, the REIT acquired a 100% ownership interest in 10 new industrial and mixed use properties representing a total leasable area of 600,169 square feet; (i) in August 1999, a property of 119,000 square feet located on Pie-IX boulevard, in Montreal; (ii) in November 1999, four (4) properties totalling 215,353 square feet in the industrial park of the city of Lachine, near Dorval Airport; (iii) in November 1999, a property of 45,000 square feet located in the Jean-Talon industrial Park, in Quebec City; (iv) in December 1999, three (3) properties totalling 129,616 square feet located in the industrial Park of Carrefour du Commerce, in Québec City; (v) and in March 2000, a property of 91,200 square foot located in the Jean-Talon industrial Park, in Québec City.

As at March 31, 2000, the REIT's Portfolio was comprised of 66 office, retail and mixed use properties, aggregating approximately 4.3 million square feet of leasable area, this being an increase of approximately 600,000 square feet or approximately 16.2 %, compared to the portfolio owned on December 31, 1998, or approximately 40.4 % of the portfolio acquired on May 21, 1998 under the Purchase Agreements. The REIT has established a dominant presence in the Greater Quebec City Area commercial real estate market which has allowed it to achieve significant economies of scale. The REIT has approximately 85 employees dedicated to property and asset management.

Future property acquisitions are subject to specific investment guidelines and the operation of the REIT is subject to specific operating policies. See "Investment Guidelines and Operating Policies".

The REIT has one wholly-owned subsidiary, Les Services Administratifs Cominar Inc., a corporation incorporated under the *Canada Business Corporations Act*.

The head office of the REIT is located at 455, Marais Street, City of Vanier, Québec, G1M 3A2.

## **THE OBJECTIVES OF THE REIT**

The following objectives have been approved by the Trustees and may be amended or replaced by the Trustees from time to time. In setting the objectives of the REIT, the Trustees are subject to the investment guidelines and operating policies set out in the Contract of Trust. See "Investment Guidelines and Operating Policies".

The objectives of the REIT are (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent practicable, tax deferred, from investments in a diversified portfolio of income producing and (ii) to improve and maximize Unit value through the ongoing active management of the REIT's properties and through future acquisition of additional income producing properties.

The REIT manages its assets with an emphasis on growing net rental revenues and occupancy levels within the Portfolio and, where economically viable, exploiting expansion or redevelopment opportunities that offer the REIT an accretive, risk-adjusted rate of return. Growth in cash flow from existing Properties comprising the Portfolio is anticipated to be achieved through: (i) increases in lease rates built into existing leases for the Properties, (ii) improvements in occupancy rates and proactive leasing efforts and (iii) reductions in operating costs.

The REIT seeks to acquire income-producing immovable properties when the projected net yield on acquisition would result in a yield on the outstanding Units greater than the current yield to Unitholders. The REIT intends to concentrate its acquisition activities in the Greater Québec City Area where it can exploit its competitive advantages, and in Montreal and other markets within the Province of Québec where the REIT can pursue accretive acquisitions that are complementary to the REIT's portfolio and management expertise. Management believes it will be able to implement an investment strategy of acquiring properties to provide additional cash flow and enhance long-term portfolio value.

The continued growth of the REIT achieved through redevelopment and expansion of the Portfolio and future acquisitions enables the REIT to further realize economies of scale in the management of its properties.

The REIT adopted the Dallaire's Group conservative approach to its borrowing policies and in general seek to maintain a combination of short-term, medium-term and long-term debt maturities which are appropriate for the overall debt level of its portfolio, taking into account availability of financing, market conditions and the financial terms of the leases from which the REIT derives its cash flow. The REIT expects to issue Units only where such issuances are not considered by the Trustees to be materially dilutive to ensuing annual distributions to existing Unitholders.

Management believes that achieving these objectives will result in an increasingly diverse and stable income stream intended to reduce both risk and volatility in respect of the returns realized by Unitholders.

## **MANAGEMENT STRATEGY OF THE REIT**

The REIT believes that commercial real estate is a dynamic investment that requires active and experienced management in order to maximize total returns and minimize risk for Unitholders. The REIT believes that this objective can best be achieved through a comprehensive and proactive management strategy intended to enhance the operating and financial performance of the REIT. Specifically, the REIT intends to:

- grow net rental revenues and occupancy levels of its Portfolio and, where economically viable, exploit expansion or redevelopment opportunities for long-term value appreciation; and
- seek accretive acquisitions, expansion and redevelopment opportunities for long-term value appreciation, firstly within the Greater Québec City Area and secondly in the greater Montreal area and other markets within the Province of Québec where the REIT can capitalize on its development expertise and strong institutional, business and tenant relationships.

## Market Dominance

The REIT has a dominant presence in the Greater Quebec City Area by virtue of the size of its Portfolio, the concentration and diversity of its Properties and the attractiveness of their locations, all of which increase the likelihood that the REIT will discuss leasing opportunities with most prospective commercial tenants within such market. The ongoing strategy of the REIT is to maintain its dominant position as well as to capitalize on other real estate investment opportunities. The REIT also believes that there is significant growth potential for cash flows and value appreciation from other properties located in the Greater Québec City Area and elsewhere in the Province of Québec. Such properties have remained relatively under-represented in the portfolios of many Canadian publicly-traded real estate companies and real estate investment trusts and therefore constitute attractive investment opportunities for the REIT. The supply of leasable space in these markets has remained virtually unchanged in the last five years. The REIT believes that such supply is unlikely to increase substantially over the near term primarily because new construction is generally not economically feasible given the current market rental rates, other than for certain industrial properties, and the lead time for such new construction generally exceeds one to two years depending on the type and size of property. This market environment presents the REIT with the opportunity to acquire properties at a discount to replacement cost representing an attractive opportunity to create value and enhance cash flow through a proactive management strategy that includes repositioning and renovating underperforming assets. The REIT believes that the significant experience of Management in property development, redevelopment, management and leasing provides it with the expertise necessary to identify, up-grade, renovate and reposition underperforming properties that will complement its Portfolio and create long-term value appreciation to Unitholders.

## Align Interests of Management and the REIT

The REIT is a fully integrated, self-administered, self-managed real estate operation and is not subject to any third party management contracts management fees; this structure reduces the potential for conflict between the interests of Management and the REIT. The REIT believes that by adopting a fully internalized management structure, the interests of Management and employees is aligned with those of Unitholders and improve operating and financial performance for the REIT. The REIT benefits from the experience and expertise of its executives and employees. See "Management of the REIT". The REIT also believes that interests of Management are also further aligned with those of Unitholders through the granting of options under the Unit Option Plan. The Unit Option Plan provides an incentive for key management personnel to increase the REIT's cash flow and Unit value. Participation in this Plan will be limited to Trustees (subject to applicable law), officers and employees of the REIT. See "Management of the REIT — Unit Option Plan".

## Competitive Strengths

The REIT intends to capitalize on the following strengths and competitive advantages of the Portfolio and Management:

- privileged relationships with its existing tenant base, which allow Management to identify and fulfil tenants' needs for expansion or contraction of space;
- ability to identify and close acquisition opportunities;
- strategic alliances with suppliers and innovative cost control measures which reduce or limit the rate of increase in operating costs, such that gross rents continue to be competitive;
- strong relationships with financial institutions, which facilitate access to financing on favourable commercial terms and which may provide for acquisition and joint venture investment opportunities;
- management information systems that include comprehensive and proprietary tenant information for each Property within the Portfolio and for competing office, industrial and mixed use properties within the Greater Québec City Area real estate market; and
- Management's development and redevelopment expertise and capability, providing the REIT with the ability to undertake expansion and redevelopment opportunities in compliance with the Investment Guidelines and Operating Policies of the REIT.

## Balanced Portfolio

The REIT will seek to maintain a balanced portfolio based on asset type and property characteristics consistent with its existing portfolio, but also in line with evolving market conditions. Management believes this strategy will provide the REIT with a diversified tenant base, reduce cash flow volatility and increase potential capital appreciation.

## Debt Management

The REIT seeks to maintain a combination of short-term, medium-term and long-term debt maturities which are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial terms of the leases from which the REIT derives its cash flow. The REIT manages its debt maturities by seeking predominantly fixed-rate medium-term debt and by maintaining a conservative level of debt relative to Gross Book Value. The REIT has obtained from a financial institution the financing required to make immovable property acquisitions, to undertake the expansion, redevelopment and improvement of its properties and to cover certain operating expenses of the REIT and of its properties from time to time, subject to the Investment Guidelines and Operating Policies of the REIT. See "Investment Guidelines and Operating Policies".

## INVESTMENT GUIDELINES AND OPERATING POLICIES

### Investment Guidelines

The Contract of Trust provides for certain guidelines on investments, which may be made by the REIT.

The assets of the REIT may be invested only in accordance with the following guidelines:

- (i) the REIT will focus its acquisition activities on existing income-producing properties, including office, retail, industrial and mixed use properties, that are substantially leased;
- (ii) notwithstanding anything in the Contract of Trust to the contrary, the REIT shall not make any investment or take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" and of a "unit trust" within the meaning of the *Tax Act* that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans, that would result in the REIT being liable under the *Tax Act* to pay a tax imposed as a result of holdings by the REIT of foreign property as defined in the *Tax Act*, that would result in Units being foreign property for the purposes of the *Tax Act* or that would result in the REIT paying a tax under the registered investment provisions of the *Tax Act* for exceeding certain investment limits;
- (iii) the REIT may invest in a joint venture arrangement only if:
  - (a) the arrangement is one pursuant to which the REIT holds an interest in immovable property jointly or in common with others ("**joint venturers**") either directly or through the ownership of an interest in a corporation or other entity (a "**joint venture entity**") as co-owners and not as partners and such immovable property is capital property of the REIT and if owned through the ownership of an interest in a joint venture entity, the said immovable property is capital property of the joint venture entity;
  - (b) the REIT's interest in the joint venture arrangement is not subject to any restriction on transfer other than a right of first refusal, if any, in favour of the joint venturers;
  - (c) the REIT has a right of first refusal to buy the interests of the other joint venturers;
  - (d) the joint venture arrangement provides an appropriate buy-sell mechanism to enable a joint venturer to purchase the other joint venturers' interests or to sell its interest;
  - (e) the joint venture arrangement provides that the liability of the REIT to third parties is joint and not solidary (the common



law equivalent being "several and not joint and several"), provided however, that subject to any remedies that each joint venturer may have against the other joint venturers, a joint venturer shall be hypothecarily liable to the full extent of the property and that, further, may be required to give up its interest in any particular property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property; and

- (f) the joint venture arrangement permits, but does not require, the REIT or its designee to participate fully in the management thereof;
- (iv) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, some or all of the receivables under an instalment receipt agreement or in money market instruments of, or guaranteed by, a Schedule 1 Canadian bank maturing prior to one year from the date of issue, the REIT may not hold securities other than securities of a joint venture entity or an entity or corporation wholly owned by the REIT formed and operated solely for the purpose of holding a particular immovable property or immovable properties or some or all of the receivables under an instalment receipt agreement or for any purpose relating to the activities of the REIT, and provided further that, notwithstanding anything contained in the Contract of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;
- (v) except as otherwise prohibited in the Contract of Trust, the REIT may invest in interests (including ownership and leasehold interests) in income-producing immovable property in Canada and the United States that is capital property of the REIT;
- (vi) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in immovable property that is capital property of the REIT;
- (vii) the REIT shall not invest in operating businesses or other specialty real estate or acquire interests in general partnerships or limited partnerships;
- (viii) the REIT shall not invest in raw land for development except for properties adjacent to existing properties of the REIT for the purpose of (a) the renovation or expansion of existing facilities that are capital property of the REIT, or (b) the development of new facilities which will be capital property of the REIT;
- (ix) the REIT may invest in immovable hypothecs, mortgages and hypothecary or mortgage bonds (including, with the consent of a majority of the Trustees, a participating or convertible immovable hypothec or mortgage) where:
  - (a) the immovable property which is security therefor is income-producing immovable property which otherwise meets the general investment guidelines of the REIT adopted by the Trustees from time to time in accordance with the Contract of Trust and the restrictions set out therein;
  - (b) the amount of the hypothecary or mortgage loan is not in excess of 75 % of the market value of the property securing the immovable hypothec or mortgage and the immovable hypothec or mortgage has at least 1.2X debt service coverage;
  - (c) the immovable hypothec or mortgage is a first-ranking immovable hypothec or mortgage registered on title to the immovable property which is security therefor; and
  - (d) the aggregate value of the investments of the REIT in these immovable hypothecs and mortgages, after giving effect to the proposed investment, will not exceed 20 % of the Adjusted Unitholders' Equity;
- (x) the REIT may invest in immovable hypothecs or mortgages if the sole intention is to use the acquisition of the immovable hypothecs and mortgages as a method of acquiring control of an income-producing immovable property which would otherwise meet the investment guidelines of the REIT and provided the aggregate value of the investments of the REIT in these immovable hypothecs and mortgages after giving effect to the proposed investment, will not exceed 20 % of the Adjusted Unitholders' Equity;
- (xi) at no time will indebtedness aggregating more than 12.5 % of Gross Book Value (other than trade payables, accrued expenses and distributions payable) be at floating interest rates or have maturities of less than one year, not including debt with an original maturity of one year or more falling due in the next 12 months; and

- (xii) subject to paragraph (ii), the REIT may invest an amount (which, in the case of an amount invested to acquire immovable property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by an immovable hypothec or mortgage on such property) up to 15 % of the Adjusted Unitholders' Equity of the REIT in investments or transactions which do not comply with paragraphs (iv), (v), (ix) and (x) under the heading "Investment Guidelines and Operating Policies — Investment Guidelines" or paragraph (iii) under the heading "Investment Guidelines and Operating Policies — Operating Policies".

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture arrangement. Except as specifically set forth above to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the REIT. Nothing in the guidelines prohibits the REIT from holding or assigning some or all of the receivables due pursuant to any instalment receipt agreement.

### Operating Policies

The Contract of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following policies:

- (i) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Policy No. 39 adopted by the Canadian Securities Administrators, as in effect immediately prior to the rescission thereof effective February 1, 2000; (ii) (a) any written instrument creating an obligation which is or includes the granting by the REIT of an immovable hypothec or mortgage, and (b) to the extent the Trustees determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of immovable property;
- (iii) the REIT shall not lease or sublease to any person any immovable property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing immovable property, premises or space having a fair market value net of encumbrances in excess of 20 % of the Adjusted Unitholders' Equity of the REIT;
- (iv) the limitation contained in paragraph (iii) shall not apply to the renewal of a lease or sublease and shall not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:
- (a) the Government of Canada, the Government of the United States, and any province of Canada, any state of the United States or any municipality in Canada or the United States, or any agency thereof;
- (b) any corporation, the bonds, debentures or other evidences of indebtedness of or guaranteed by which are authorized as an investment for insurance companies pursuant to subsection 86(1)(k) of the *Canadian and British Insurance Companies Act* in effect on December 31, 1991; or
- (c) a Canadian chartered bank registered under the laws of a province of Canada;
- (v) except for renovation or expansion of existing facilities and the development of new facilities on property adjacent to existing properties of the REIT as permitted under paragraph (viii) under the heading "Investment Guidelines and Operating Policies — Investment Guidelines", the REIT shall not engage in construction or development of immovable property except as necessary to maintain its immovable properties in good repair or to enhance the income producing ability of properties in which the REIT has an interest;

- (vi) title to each immovable property shall be drawn up in the name of the Trustees or, to the extent permitted by applicable law, the REIT or a corporation or other entity wholly-owned by the REIT or jointly by the REIT with joint venturers;
- (vii) the REIT shall not incur or assume any indebtedness under an immovable hypothec or mortgage unless, at the date of the proposed assumption or incurring of the indebtedness, the aggregate of (a) the amount of all indebtedness secured on such immovable property or group of immovable properties and (b) the amount of additional indebtedness proposed to be assumed or incurred does not exceed 75 % of the market value of such immovable property or group of immovable properties (other than the renewal, extension or modification of any existing immovable hypothec or mortgage, including without limitation, the Assumed Hypothecs, on substantially similar terms or on terms more favourable to the REIT, in each such case, as determined by a majority of the Trustees);
- (viii) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 60 % of the Gross Book Value;
- (ix) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party except indebtedness assumed or incurred under an immovable hypothec or mortgage by a corporation or other entity wholly-owned by the REIT or jointly by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such immovable hypothec or mortgage, if granted by the REIT directly, would not cause the REIT to otherwise contravene the restrictions set out under the heading "Investment Guidelines and Operating Policies", and where such immovable hypothec or mortgage is granted by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property, the liability of the REIT is limited strictly to the proportion of the hypothecary or mortgage loan equal to the REIT's proportionate ownership interest in the joint venture entity;
- (x) the REIT shall obtain an independent appraisal of each property that it intends to acquire;
- (xi) the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (xii) the REIT shall have conducted a Phase I environmental audit of each immovable property to be acquired by it and, if the Phase I environmental audit report recommends a Phase II environmental audit be conducted, the REIT shall have conducted a Phase II environmental audit, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition, shall be satisfactory to the Trustees. All new leases granted by the REIT shall contain appropriate covenants from the lessee respecting environmental matters as determined by the Trustees from time to time.

For the purposes of the foregoing policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT are deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture. All of the foregoing prohibitions, limitations or requirements pursuant to the foregoing policies shall be determined as at the date of investment or other action by the REIT.

#### **Amendments to Investment Guidelines and Operating Policies**

Pursuant to the Contract of Trust, all of the investment guidelines set out under the heading "Investment Guidelines and Operating Policies — Investment Guidelines" and the operating policies contained in paragraphs (v), (vii), (viii), (ix), (x), (xi) and (xii) under the heading "Investment Guidelines and Operating Policies — Operating Policies" may be amended only if such amendment is approved by two-thirds of the votes cast by Unitholders of the REIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended if such amendment is approved by the Trustees and by a majority of the votes cast by Unitholders at a meeting called for such purpose.

## PROPERTIES

As at March 31, 2000, the Portfolio of the REIT consisted of 66 office, retail, industrial and mixed use properties located in the Greater Québec City Area. The Portfolio consists of 1,084,779 square feet of office space, 1,075,795 square feet of retail space and 2,154,849 square feet of industrial and mixed use space, of which 91,200 square feet are being developed, representing, in the aggregate, approximately 4,300,000 million square feet of leasable area. The Properties comprising the Portfolio are prime locations along major traffic arteries and benefit from high visibility and easy access by both tenants and tenants' customers. There are no land leases on any of the Properties comprising the Portfolio. The Properties are generally well-maintained and in good operating condition.

### Overview of Portfolio

The following tables summarize respectively the properties of the REIT as at March 31, 2000 by asset class and the lease renewals concluded in 1999:

Property Type	Number of Properties <sup>1)</sup>	Area		% Leased	Average net Rent (\$/per square foot)
		Area (Square Feet)	%		
Office Properties <sup>2)</sup>	9	1,084,779	25.2	94.2	9.23
Retail Properties <sup>3)4)</sup>	13	1,075,795	24.9	93.8	10.90
Industrial and Mixed Use Properties <sup>5)</sup>	44	2,154,849	49.9	95.3	4.56
Total Portfolio	66	4,315,423	100.0	94.6	7.34

Notes:

- (1) Place de la Cité has been included in the Retail Properties category.
- (2) Includes 428,354 square feet of office space at Place de la Cité.
- (3) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.
- (4) Carrefour Charlesbourg in Charlesbourg, Québec includes four adjacent residential properties to be used for future expansion of parking at Carrefour Charlesbourg.
- (5) Includes a property being developed (91,200 square feet). This property is not included in the calculation of occupancy rate and net average rental.

### RENEWAL FOR 1999

	Office	Retail	Industrial and Mixed Use	Total
<b>EXPIRY</b>				
Number of tenants	44	75	75	194
Area (square feet)	87,466	160,892	298,462	546,820
Average net Rent/square feet	7.32	9.85	4.72	6.65
<b>RENEW</b>				
Number of tenants	39	64	58	161
Area (square feet)	81,950	131,510	224,164	437,624
Average net Rent/square feet	7.10	11.19	4.97	7.24

The following table sets forth the lease maturities for the Portfolio of the REIT:

	<b>Lease Maturities <sup>1)</sup></b>			
	<b>Office <sup>2)</sup></b>	<b>Retail <sup>3)</sup></b>	<b>Industrial and Mixed Use</b>	<b>Total</b>
<b>Number of Tenants</b>				
2000.....	82	87	64	233
2001.....	39	96	68	203
2002.....	25	50	61	136
2003.....	31	58	52	141
2004.....	30	50	38	118
<b>Area</b>				
(square feet)				
2000.....	424,712	141,528	204,147	770,387
2001.....	96,562	237,721	438,772	773,055
2002.....	123,204	127,203	233,301	483,708
2003.....	91,263	127,618	475,098	693,979
2004.....	243,243	153,881	347,279	744,403
<b>Weighted Average Net Rent</b>				
(per square foot)				
2000.....	\$ 9.15	\$ 9.48	\$4.15	\$7.89
2001.....	\$ 8.34	\$ 8.83	\$4.71	\$6.43
2002.....	\$ 8.48	\$11.63	\$4.37	\$7.33
2003.....	\$ 9.22	\$13.11	\$3.90	\$6.29
2004.....	\$10.70	\$11.53	\$5.24	\$8.32

Notes:

- (1) Information given for twelve months ending December 31 of each calendar year.
- (2) Includes maturities for leases of office space at Place de la Cité.
- (3) Includes maturities for leases of retail space at Place de la Cité.

### Hypothecs

The Portfolio of the REIT is conservatively leveraged, with predominantly fixed rate debt. The indebtedness of the REIT on December 31, 1999, was approximately 51.7 % of the Gross Book Value. The weighted average interest rate pursuant to the Hypothecs is approximately 7.26 % per annum and the weighted average term to maturity of the Hypothecs is approximately 3.2 years.

The following table summarizes the immovable hypothecs which encumber the REIT's properties:

Properties	Balance as at December 31, 1999	Interest Rate	Maturity Date
Place de la Cité — 2600, boul. Laurier, Sainte-Foy .....	\$ 75,636,677	6.92 %	Juin 2003
<i>Office Properties</i>			
3175, chemin des Quatre-Bourgeois, Sainte-Foy .....	\$ 5,845,432	8.38 %	March, 2001
979, avenue de Bourgogne, Sainte-Foy.....	\$ 3,169,164	9.75 %	June, 2002
455, rue Marais, Vanier.....	\$ 2,785,333	8.63 %	August, 2001
4605-25-35, 1(re) Avenue, Charlesbourg .....	\$ 1,218,316	6.50 %	May, 2001
5075, boulevard Wilfrid-Hamel, Québec.....	\$ 1,265,149	7.13 %	August, 2004
<i>Retail Properties</i>			
1400, avenue Saint-Jean-Baptiste, Québec.....	\$ 2,529,682	6.50 %	May, 2001
2160, boul. de la Rive-Sud, Saint-Romuald.....	\$ 1,146,731	6.50 %	May, 2001
355, rue Marais, Vanier.....	\$ 1,934,934	7.13 %	August, 2004
550, rue Marais, Vanier.....	\$ 913,735	7.90 %	May, 2001
329, rue Seigneuriale, Beauport.....	\$ 85,139	8.14 %	December, 2002
329, rue Seigneuriale, Beauport.....	\$ 270,070	8.13 %	September, 2002
1970, avenue Chauveau, Québec.....	\$ 77,639	8.13 %	October, 2003
1970, avenue Chauveau, Québec.....	\$ 118,977	7.95 %	December, 2001
1371, chemin Sainte-Foy.....	\$ 340,465	7.63 %	December, 2000
2195, boul. de la Rive-Sud, Saint-Romuald.....	\$ 251,692	5.25 %	March, 2002
325, rue Marais, Vanier.....	\$ 3,795,448	7.13 %	August, 2004
<i>Industrial and Mixed Use Properties</i>			
955, rue Saint-Jean-Baptiste, Québec.....	\$ 795 721	7.63 %	December, 2000
2100, boul. Jean-Talon Nord, Sainte-Foy .....	\$ 666 146	7.63 %	December, 2000
320, chemin de la Canardière, Québec.....	\$ 383 595	6.50 %	May, 2001
2022, rue Lavoisier, Sainte-Foy.....	\$ 1 347 320	6.50 %	May, 2001
4975, rue Rideau, Québec .....	\$ 922 815	10.75 %	August, 2004
280, rue Racine, Loretteville.....	\$ 716 767	6.50 %	May, 2001
2150, boul. Jean-Talon Nord, Sainte-Foy .....	\$ 523 336	6.50 %	May, 2001
2160, boul. Jean-Talon Nord, Sainte-Foy .....	\$ 967 467	7.13 %	August, 2004
1515, rue Saint-Jean Baptiste, Québec .....	\$ 1 711 672	7.13 %	August, 2004
4175, boul. Sainte-Anne, Beauport .....	\$ 560 005	8.63 %	March, 2001
5125, rue Rideau, Québec .....	\$ 243 853	6.50 %	May, 2001
5000, rue Rideau, Québec .....	\$ 288 530	7.80 %	January, 2001
1730-90, avenue Newton, Québec.....	\$ 1 254 259	6.50 %	May, 2001
830, avenue Godin, Vanier.....	\$ 967 617	6.50 %	May, 2001
2345, rue Dalton, Sainte-Foy .....	\$ 874 406	6.50 %	May, 2001
2385, rue Watt, Sainte-Foy .....	\$ 702 450	6.50 %	May, 2001
625, rue des Canetons, Québec.....	\$ 778 935	7.13 %	August, 2004
625, avenue Godin, Vanier.....	\$ 1 662 996	8.50 %	August, 2001
905, avenue Ducharme, Vanier.....	\$ 301 122	6.50 %	May, 2001
454, rue Marconi, Sainte-Foy .....	\$ 277 837	7.13 %	August, 2004
2180, boul. Jean-Talon Nord, Sainte-Foy .....	\$ 476 291	7.13 %	August, 2004
650, avenue Godin, Vanier.....	\$ 3 497 766	7.13 %	August, 2004
5275, boul. Wilfrid-Hamel, Québec .....	\$ 718 860	6.95%	November, 2001
8288, boul. Pie-IX, Montréal .....	\$ 2 107 988	11.00 %	September, 2007
1475, 32 <sup>e</sup> Avenue, Lachine .....	\$ 2 011 495	10.50 %	December, 2002
Total.....	<u>\$126 143 832</u>		

The following table summarizes the debt maturities of the Hypothecs as at December 31, 1999:

<b>Debt Maturities <sup>1)</sup></b>				
	<u>Office</u>	<u>Retail</u>	<u>Industrial and Mixed Use</u>	<u>Total</u>
<b><u>Debt Maturities</u></b>				
2000 .....	\$ —	\$ 340 467	\$ 1 461 869	\$ 1 802 336
2001 .....	\$ 9,849,081	\$ 4 709 124	\$ 10 545 116	\$ 25 103 321
2002 .....	\$ 3,169,164	\$ 606 901	\$ 2 011 495	\$ 5 787 560
2003 .....	\$ 37,818,339	\$ 37 895 978	\$ —	\$ 75 714 317
2004 .....	\$ 1,265,149	\$ 5 730 382	\$ 8 632 783	\$ 15 628 314
2007 .....	—	\$ —	\$ 2 107 988	\$ 2 107 988
<b>Weighted Average Interest Rate on Hypothechs .....</b>	7.34 %	6.94 %	7.70 %	7.26 %
<b>Weighted Average Term to Maturity on Hypothechs .....</b>	3.0 years	3.3 years	3.1 years	3.2 years

Note:

- (1) The Place de la Cité Loan was allocated by management of the Dallaire Group Management based on the value of Place de la Cité, as to \$ 37,818,339 million to the Office Properties and as to \$ 37,818,339 million to the Retail Properties.

### Summary of the Properties

The following table summarizes certain aspects of each of the Properties<sup>1)</sup>:

<u>Property</u>	<u>Year built/ Renovated</u>	<u>Leasable Area (square feet)</u>	<u>% Leased</u>	<u>Selected Tenants <sup>2)</sup></u>
<b><i>Office Properties</i></b>				
Place de la Cité, 2600, boul. Laurier Sainte-Foy	1964/1970/ 1982/1988/ 1993	428,354	97.0	Régie des rentes du Québec, Télé-Université (Université du Québec), The Great West Life Insurance Company, Canada Mortgage And Housing Corporation, Société québécoise d'exploration minière, Institut national de la recherche scientifique (Université du Québec), PricewaterhouseCoopers, Gestion M.D., Air Transat, La Financière Manuvie, Speedware, Momentum, Aon
150, boul. René-Lévesque Est Québec	1973/1999	242,049	98.9	Société Immobilière du Québec, Cantel Vidéotron, Télécom 9, Sprint, a Canadian chartered bank
3175, chemin des Quatre-Bourgeois Sainte-Foy	1990	99,755	97.7	Public Works Canada, BAAN Company

<b>Property</b>	<b>Year built/ Renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
979, avenue de Bourgogne Sainte-Foy	1976/1988/ 1996	67,154	76.4	General Motors Acceptance Corporation Du Canada, Limitée, Société Du crédit agricole (farmers' credit union), Office de Protection des personnes handicapées du Québec (handicapped person' protection office)
2014, boul. Jean-Talon Nord Sainte-Foy	1979/1997	61,556	88.6	Canadian Automobile Association (Québec), Tie Communications Ltd., Optel Technologies Inc., Leica Canada Inc.
455, rue Marais Vanier	1977/1997	61,207	87.4	Industrial Alliance Life Insurance Company, Primerica
4605-25-35, 1(re) Avenue Charlesbourg	1979/1993	40,336	84.5	Alliance Life Insurance Company, a Canadian chartered bank, Associates capital corporation of Canada, Subway (restaurant)
2200, boul. Jean-Talon Nord Sainte-Foy	1965/1986/ 1996	29,816	80.6	Groupe Québecetel
5075, boul. Wilfrid-Hamel Ouest Québec	1980/1994	28,055	92.5	CEM Consultants Inc., Au Vieux Duluth (restaurant)
5055, boul. Wilfrid-Hamel Ouest Québec	1979/1996	26,497	96.4	Matériaux Blanchet Inc., Association manufacturière du bois de sciage du Québec, Progisys Inc.
<b>Sub-total (office)</b>		<b>1,084,779</b>	<b>94.2</b>	
<b><i>Retail Properties</i></b>				
Place de la Cité 2600, boul. Laurier Sainte-Foy	1964/1970/ 1982/1998/ 1993	388,263	92.8	Leon's Furniture Ltd., Caisse populaire Desjardins (Desjardins Credit Union), General Trust of Canada, a Canadian chartered bank, Benetton, Roots, Old River, Dack's Shoes, L'Aventurier, New Look, Dans un Jardin, Uniprix (pharmacy), Restaurant Le Beaugarte, Club Entrain (health and recreational centre), Association canadienne des automobilistes (Québec), Fiducie Desjardins (Desjardins Trust), Valeurs mobilières Desjardins inc., La Financière Banque Nationale, La Compagnie de Fiducie Household du Canada, Dismat Investments Inc.
Carrefour Charlesbourg 8500, boul. Henri-Bourassa Charlesbourg	1976/1988/ 1995/1996	265,036	92.0	Métro (grocery store), Brunet (pharmacy), Sports Experts, Radio Shack, a Canadian chartered Bank, Caisse populaire Desjardins (Desjardins Credit Union), Industrial Alliance Life Insurance Company



<b>Property</b>	<b>Year built/ Renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
Halles Fleur-de-Lys 245, rue Soumande Vanier	1978/1984/ 1994	89,808	91.0	Marché Plus (grocery), Société des alcools du Québec (liquor store), Restaurant Pacini, Caisse populaire Desjardins (Desjardins credit union)
325, rue Marais Vanier	1991	77,517	93.9	Toshiba, AT&T, Restaurant Tomas Tam, Kit à Tout (furniture store)
1400, rue Saint-Jean-Baptiste Québec	1979/1995	102,700	97.3	Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian chartered Bank, Société de l'assurance automobile du Québec
2160, boul. de la Rive-Sud Saint-Romuald	1971/1978/ 1996	74,966	97.2	Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union) Vidéo Éclair
355, rue Marais Vanier	1990	37,178	100.0	Schneider Canada Inc., Piscines et Patios du Québec, Duro Vitres d'Auto
550, rue Marais Vanier	1995	16,627	100.0	J.B. Lefebvre Ltée, Eaton Yale Ltd., Play It Again Sports
5, Place Orléans Beauport	1978/1985	5,792	100.0	A Canadian chartered bank
329, rue Seigneuriale Beauport	1992/1997	3,792	100.0	Lebeau Vitres d'Auto
1365-1369, chemin Sainte-Foy Québec	1950/1983	5,491	100.0	Immeubles Couche-Tard Inc. (convenience store)
2195, boul. de la Rive-Sud Saint-Romuald	1977/1985	6,225	100.0	A Canadian chartered bank
1970, avenue Chauveau Québec	1970/1983	2,400	100.0	Provi-Soir Inc. (convenience store)
<b>Sub-total (retail)</b>		<b>1,075,795</b>	<b>93.8</b>	

***Industrial and Mixed Use  
Properties***

1990, boul. Jean-Talon Nord Sainte-Foy	1976/1977/ 1995/1996	88,843	92.7	Caractera Inc., Refac Inc. (Westburne), Active, RJR, McDonald Inc., Rothmans Benson & Hedges Inc.
320, chemin de la Canardière Québec	1980/1993	12,777	80.0	Centre communautaire juridique de Québec (legal aid)
1515, rue Saint-Jean-Baptiste Québec	1979/1989	61,771	100.0	Barnabé Meubles (1983) Inc., (furniture store), Centre d'estimation de la Capitale Inc., Aérobiec Technologies Inc.

<b>Property</b>	<b>Year built/ Renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
2022, rue Lavoisier Sainte-Foy	1978	59,249	93.9	Crobel Ltée, Otis Canada, RBA Inc., La Société Radio-Canada, Essilor Canada Ltée, Tried Ltd.
100, rue Chabot Vanier	1968/1986	107,000	100.0	Leon's Furniture Ltd.
2160, boul. Jean-Talon Nord Sainte-Foy	1965/1981/ 1994	45,151	86.1	Meubles Jacques Gaulin Inc. (furniture store), Opération Enfant Soleil
4975, rue Rideau Québec	1990	32,861	77.9	Canadian Industrial Distributors Inc., Ikon Solutions de bureau Inc., Les Portes Baril Inc.
2020, boul. Jean-Talon Nord Sainte-Foy	1968	41,133	100.0	Brunswick Corporation Ltd.
280, rue Racine Loretteville	1984/1986	18,801	100.0	A Canadian chartered bank Canada Post Corporation
2025, rue Lavoisier Sainte-Foy	1978/1983/ 1990	37,078	94.2	Telav Inc., General Motors du Canada, M.I.R. Solutions Technologies Inc.
2100, boul. Jean-Talon Nord Sainte-Foy	1962/1975/ 1995	31,316	100.0	Bagel Tradition'l, Sico Inc.
2150, boul. Jean-Talon Nord Sainte-Foy	1970/1985/ 1994	22,560	51.6	Canon of Canada
2955, rue Kepler Sainte-Foy	1978	14,960	100.0	Expertise Transport Québec
4175, boul. Sainte-Anne Beauport	1974/1977/ 1985/1988	39,245	61.9	Trudel et Piché Beauport Inc.
2180, boul. Jean-Talon Nord Sainte-Foy	1969/1984/ 1997	17,444	100.0	Mobilier International Inc. (furniture store), Ash Temple Ltd. (Servident), SSI 2000 Inc.
5125, rue Rideau Québec	1987/1997	11,575	100.0	Canpar Transport Ltd.
454-456, rue Marconi Sainte-Foy	1984	15,853	100.0	Axion Sonorisation Éclairage
5000, rue Rideau Québec	1995	2,475	100.0	Public Works Canada
1750-90, avenue Newton Québec	1987	63,135	100.0	Unisource Inc., Ascenseurs Drolet Kone Inc.
1165, rue Gouin Québec	1941/1978/ 1993	70,913	100.0	Produits Capitale Inc., Asystel Inc., Étiquettes Berco Inc.
2010, rue Lavoisier Sainte-Foy	1976	68,235	100.0	United Auto Part Inc.
830, avenue Godin Vanier	1978/1994	48,990	100.0	Pierce Leahy , P.E. Fraser, Canadian Automobile Association (Québec)

<b>Property</b>	<b>Year built/ Renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
2345, rue Dalton Sainte-Foy	1973/1981	54,258	100.0	Polycritec Inc., Palmar Automotive Ltd., Bétonel Ltée, Viking Chains Inc.
2385, rue Watt Sainte-Foy	1973/1981	65,828	91.4	Toledo Scale, Pâtisserie Dumas Inc., Distribution Silpro Inc.
625, rue des Canetons Québec	1989	19,981	100.0	United Parcel Service du Canada Ltée
955, rue Saint-Jean-Baptiste Québec	1978/1991	32,904	100.0	Newcourt Nationalease Inc., Klockner Moeller Ltée, Moteurs Électriques Laval
5130, rue Rideau Québec	1988	24,408	100.0	L'Islet Express, Toromont Inc., Enertrak Inc.
2755, rue Dalton Sainte-Foy	1971/1989	23,880	100.0	Rosedale Transport Ltd., Institut national de la recherche scientifique (Université du Québec)
905, avenue Ducharme Vanier	1972/1991	20,504	100.0	Industries Forma 3 Inc., Machinage Usitech Inc.
2015, rue Lavoisier Sainte-Foy	1974	2,006	100.0	Modulaire Plus
650, avenue Godin Vanier	1967/1975 et 1977	196,335	100.0	Société Immobilière du Québec, LPA Medical Inc.
625, avenue Godin Vanier	1989/1990	60,078	94.1	Messagerie Dynamique une division de Communications Québécois inc., Partagec Stelco
579, avenue Godin Vanier	1981/1999	12,337	100.0	Boc Canada LTD.
2700, Jean-Perrin Québec	1987/1998	131,066	84.9	Société Canadienne des Postes, Télémag 24, Entourage Solutions Technologique, Graphiscan, Cantel, Clearnet
2181-2211, rue Léon-Harmel Québec	1974	45,000	88.5	Centre de recherche industrielle du Québec (Optifor), Déménagement Métrobec, Groupe SPL, Beauvais et Verret Inc.
445, avenue St-Jean-Baptiste Québec	1986	56,226	92.1	Silverrun Technologies Inc., Créations Publicitaires Inc., Arrow Electronics Canada Ltd., ABF Freight Systems Canada Ltd.
500, avenue St-Jean-Baptiste Québec	1987	43,671	100.0	Northern Fibromic Inc. , Exfo Ingénierie Electro-Optique Inc., EBQM Inc., Planchers Bois Franc 2000 Inc., Escaliers Gilles Grenier Inc.
5275, boul. Wilfrid-Hamel Québec	1981	29,719	86.9	Acousti-Plus Inc., Inglis Limited

Property	Year built/ Renovated	Leasable Area (square feet)	% Leased	Selected Tenants <sup>2)</sup>
8288, boul. Pie-IX Montréal	1989	119,000	100.0	Belron Canada Inc.
1415, 32 <sup>e</sup> Avenue Lachine	1989/1993	71,500	100.0	Distributeurs Delhar Canada Ltée
1455, 32 <sup>e</sup> Avenue Lachine	1989	32,500	100.0	Stochem Inc.
1475, 32 <sup>e</sup> Avenue Lachine	1988	91,690	100.0	Wood Wyant Inc.
3300, J.B. Deschamps Lachine	1989	19,393	100.0	Paquette White Inc.
<b>Sub total (industrial and mixed use)</b>		<b>2,063,649</b>	<b>95.3</b>	
<b>TOTAL OF THE PORTFOLIO</b>		<b>4,224,223</b>	<b>94.6</b>	
<b><i>Property being developed</i></b>				
1670, rue Semple Québec	1981	91,200		

## Notes:

- (1) These figures are as at March 31, 1999 and are calculated on a per square foot basis of occupied space (and in the case of retail space, calculated for commercial retail unit (CRU) space) as at such date.
- (2) Sets forth certain generally recognized tenants.
- (3) The data shown does not include four residential properties adjacent to Carrefour Charlesbourg available for future expansion of parking at Carrefour Charlesbourg.

The following is a summary of each of the Properties comprising the Portfolio of the REIT.

**Place de la Cité**  
**2600, boul. Laurier, Sainte-Foy**

Place de la Cité in Sainte-Foy, Québec is an 816,617 square foot fully-integrated multi-functional office and retail complex built between 1964 and 1988, comprising 428,354 square feet of Class "A" office space and 388,263 square feet of retail space, including a 47,500 square foot health and recreational centre (Club Entrain). The complex has parking for 2,400 cars, of which 2,230 are on three underground levels. In 1995, a major \$ 20 million renovation program was completed to upgrade and integrate the two office buildings into the retail and services complex and ground floor shopping mall. Place de la Cité enjoys a prime location on Laurier Boulevard, the most important thoroughfare of Sainte-Foy and into the Greater Québec City Area, and is strategically situated between two major shopping centres comprising approximately 1.7 million square feet of retail space in the aggregate. Université Laval, which has approximately 34,000 students, is in the immediate vicinity. In addition, the immediate area is characterized by a heavy concentration of hotels, restaurants, office buildings, businesses and two major hospitals.

## Office

Place de la Cité is one of the foremost business addresses for the financial and professional services industry in the Greater Québec City Area. The following table sets forth the major office tenants for Place de la Cité:

<u>Tenant</u>	<u>Leasable Area (Square Feet)</u>
Régie des rentes du Québec (Québec Pension Plan).....	172,349
Télé-Université (Université du Québec).....	58,332
The Great West Life Insurance Company .....	14,942
Canada Mortgage and Housing Corporation .....	9,272
Société Québécoise d'exploration minière (a Québec Crown corporation) .....	13,431
Institut national de la recherche scientifique (Université du Québec).....	13,353
PricewaterhouseCoopers.....	12,932
Other Office Tenants .....	129,414
Total .....	428,354

In addition to those tenants enumerated above, prominent office tenants, Groupe Aon, The Manufacturers' Life Insurance Company, Air Transat, TD Evergreen, Momentum and Gestion M.D.

## Retail

Place de la Cité is the central property in the highest concentration of retail shopping in the Greater Québec City Area. Place de la Cité is situated immediately between and is effectively anchored by two major regional shopping centres:

- Place Laurier, a 1.1 million square foot super-regional shopping centre anchored by Sears, The Bay, Zellers and Toys 'R' US; and
- Place Ste-Foy, a 656,000 square foot regional mall anchored by Les Ailes de la Mode, Archambault, Simons, Metro and Holt Renfrew.

Place de la Cité is the direct connection between Place Ste-Foy and Place Laurier and benefits from a continuous flow of retail shoppers, as evidenced by pedestrian traffic of 200,000 people per week on average.

The following table sets forth the major retail tenants for Place de la Cité:

<u>Tenant</u>	<u>Leasable Area (Square Feet)</u>
Club Entrain .....	47,512
Leon's Furniture Ltd .....	36,395
Caisse populaire Desjardins (Desjardins credit union) .....	20,455
General Trust of Canada.....	7,932
Desjardins Securities Inc .....	5,991
Fiducie Desjardins (Desjardins trust) .....	5,593
Disnat Investments Inc .....	1,580
Other Retail Tenants (103 Tenants).....	262,805
Total.....	388,263

In addition to those tenants enumerated above, prominent retail tenants also include Restaurant Le Beaugarte, two Canadian chartered banks, La Financière Banque Nationale Inc., Benetton, Roots, Old River, La Cache, Dans un Jardin, Dack's Shoes, L'Aventurier, New Look, Uniprix (pharmacy), Household Finance Corporation and Canadian Automobile Association (Québec).

The following is a summary of each of the other Properties comprising the Portfolio.

## **Office Properties**

### ***Place de la Capitale***

#### ***150, boul. René-Lévesque Est, Québec***

A 20-storey, 242,049 square-foot office tower situated on 36,344 square feet of land. The building was built on 1973 and renovated in 1998-1999. It is 98.9% leased and has 300 indoor parking spaces. Significant tenants include “Société Immobilière du Québec, Cantel, Videotron, Télécom 9, Sprint and a Canadian Chartered bank.”

#### ***3175, Quatre-Bourgeois, Sainte-Foy, Québec***

A 99,755 square foot office building situated on 76,122 square feet of land. The building was built in 1990 and has 270 indoor and outdoor parking spaces. It is 97.7 % leased to nine tenants. Significant tenants include Public Works Canada, BAAN Company, Remax Fortin Delage.

#### ***979, de Bourgogne, Sainte-Foy, Québec***

A 67,154 square foot office building situated on 68,411 square feet of land. The building was built in 1976, expanded in 1988 and renovated in 1996. A total of \$ 480,000 was spent on such renovations. The building is 76.4 % leased, and has 134 outdoor parking spaces. Significant tenants include Société du crédit agricole (farmers' credit union), General Motors Acceptance Corporation, Office de protection des personnes handicapées du Québec (handicapped persons' protection office) and l' Association paritaire secteur minier.

#### ***2014, Jean-Talon Nord, Sainte-Foy, Québec***

A 61,556 square foot office building situated on 75,650 square feet of land. The building was built in 1979 and renovated in 1997. A total of \$ 540,000 was spent on such renovations. The building is 88.6 % leased, and includes 164 outdoor parking spaces. Significant tenants include Canadian Automobile Association (Québec), Tie Communications Ltd., Optel Technologies Inc. and Leica Canada Inc.

#### ***455, rue Marais, Vanier, Québec***

A 61,207 square foot office building situated on 110,437 square feet of land. The building was built in 1977 and expanded in 1997. The building is 87.4 % leased, and includes 137 outdoor parking spaces. Significant tenants include Industrial Alliance Life Insurance Company and Primerica.

#### ***4605-25-35, 1ère Avenue, Charlesbourg, Québec***

A 40,366 square foot office building situated on 53,198 square feet of land. The building was built in 1979 and renovated in 1993. A total of \$ 300,000 was spent on such renovations. The building is 84.5 % leased, and has 170 parking spaces, of which 40 are indoors. Significant tenants include Industrial Alliance Life Insurance Company and a Canadian chartered bank. The lease of the Canadian chartered bank provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, for the same price as the third party offer to purchase.

#### ***2200, Jean-Talon Nord, Sainte-Foy, Québec***

A 29,816 square foot office building situated on 94,055 square feet of land. The building is used for offices and warehousing. It was built in 1965, expanded in 1986 and renovated in 1996. The building is 80.6 % leased, and includes 77 outdoor parking spaces. The significant tenant is Groupe Québéctel.

***5075, boulevard Wilfrid-Hamel Ouest, Québec City, Québec***

A 28,055 square foot office building situated on 54,297 square feet of land. The building was built in 1980 and renovated in 1994. The building is 92.5 % leased, and has 141 outdoor parking spaces. Significant tenants include Au Vieux Duluth (restaurant) and CEM Consultants Inc.

***5055, boulevard Wilfrid-Hamel Ouest, Québec City, Québec***

A 26,497 square foot office building situated on 87,250 square feet of land. The building was built in 1979 and renovated in 1996. A total of \$ 300,000 was spent on such renovations. The building is 96.4 % leased, and has 74 outdoor parking spaces. Significant tenants include Matériaux Blanchet Inc., Association manufacturière du bois de sciage du Québec (Québec lumber manufacturers' association) and Progisys Inc.

**Retail Properties*****Carrefour Charlesbourg — 8500, boulevard Henri-Bourassa, Charlesbourg, Québec***

A 265,036 square foot retail complex, including 62,778 square feet of ancillary office space, situated on 854,253 square feet of land. The building was built in 1976, expanded in 1988 and 1996 and renovated in 1995 and 1996. A total of \$ 3.5 million has been spent on such expansions and renovations since 1995. It has 1,640 outdoor parking spaces. The building is 92.0% leased. The retail space is 96.1 % leased, and the office space is 96.5 % leased. The Property is located on the principal artery in the main commercial area of the City of Charlesbourg, a residential suburban community in the Greater Québec City Area. Significant retail tenants include Métro (grocery store), Pharmacie Brunet (pharmacy), Sports Experts, Radio Shack, a Canadian chartered bank and Caisse populaire Desjardins (Desjardins credit union). Significant office tenants include and Industrial Alliance Life Insurance Company. The Property also includes four adjacent residential properties zoned for commercial use which Management intends to use for future expansion of parking on the Property.

***Halles Fleurs de Lys — 245, rue Soumande, Vanier, Québec***

An 89,808 square foot public market, including 28,932 square feet of ancillary office space, situated on 249,722 square feet of land. The building was built in 1978, expanded in 1984 and renovated in 1994. A total of \$ 345,000 was spent on such renovations. The building is 91.0 % leased, and has 525 outdoor parking spaces. The Property is situated in close proximity to the Place Fleur de Lys regional shopping centre in a mixed commercial and residential area. The Property is easily accessible from Boulevard Hamel and the Laurentian Boulevard, two major thoroughfares. Major tenants include Marché Plus (grocery store), Société des alcools du Québec (liquor store), Restaurant Pacini, Caisse populaire Desjardins (Desjardins credit union), Action Travail and Gymmed.

***325, rue Marais, Vanier, Québec***

A 77,517 square foot retail complex, including 38,373 square feet of ancillary office space, situated on 117,213 square feet of land. The building was built in 1991. The building is 93.9 % leased, and includes 141 outdoor parking spaces. Significant tenants include Toshiba, AT&T, Restaurant Tomas Tam and Public Works Canada.

***1400, St-Jean-Baptiste, Québec City, Québec***

A 102,700 square foot retail complex, including 39,744 square feet of ancillary office space, situated on 253,830 square feet of land. The building was built in 1979 and renovated in 1995. A total of \$ 270,000 was spent on such renovations. The building is 97.3 % leased, and includes 297 outdoor parking spaces. Significant tenants include Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian chartered bank, Société des alcools du Québec (liquor store) and Société de l'Assurance Automobile du Québec.

***2160, boulevard de la Rive-Sud, Saint-Romuald, Québec***

A 74,966 square foot retail complex, situated on 142,806 square feet of land. The building was built in 1971 and expanded in 1978 and 1996. The building is 97.2 % leased, and has 247 outdoor parking spaces. Significant tenants include Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union) and Vidéo Éclair.

***355, rue Marais, Vanier, Québec***

A 37,178 square foot retail building situated on 98,088 square feet of land. The building was built in 1990. The building is 100.0 % leased, and has 119 outdoor parking spaces. Significant tenants include Piscines et Patios du Québec Inc., Schneider Canada Inc. and Duro Vitres d'Auto.

***550, rue Marais, Vanier, Québec***

A 16,627 square foot retail building situated on 58,885 square feet of land. The building was built in 1995. The building is 100.0 % leased, and has 60 outdoor parking spaces. Significant tenants include J.B. Lefebvre Ltée, Play It Again Sports and Eaton Yale Ltd.

***329, Seigneuriale, Beauport, Québec***

A 3,792 square foot retail building situated on 21,315 square feet of land. The building was built in 1992 and expanded in 1997. A total of \$ 60,000 was spent on such expansion. The Property is 100,0 % leased to Lebeau Vitres d'Auto and has 20 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase.

***5, Place Orléans, Beauport, Québec***

A 5,792 square foot retail building situated on 15,577 square feet of land. The building was built in 1978 and expanded in 1985 and has 29 outdoor parking spaces. The Property is 100,0 % leased to a Canadian chartered bank. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, for the same price as the third party offer to purchase.

***1365-1369, chemin Sainte-Foy, Sainte-Foy, Québec***

A 5,491 square foot retail building situated on 3,714 square feet of land. The building was built in 1950 and renovated in 1983. The building is 100.0 % leased, and includes six outdoor parking spaces. The significant tenant is Immeubles Couche-Tard Inc. (convenience store).

***2195, boulevard de la Rive-Sud, Saint-Romuald, Québec***

A 6,225 square foot retail building situated on 23,310 square feet of land. The building was built in 1977 and expanded in 1985. The Property is 100.0 % leased , to a Canadian chartered bank and has 42 outdoor parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, for the same price as the third party offer to purchase.

***1970, avenue Chauveau, Québec***

A 2,400 square foot retail building situated on 45,246 square feet of land. The building was built in 1970 and renovated in 1983. The building is 100,0 % leased to Provi-Soir Inc. (convenience store) and has 28 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase. The tenant's lease also provides for an option to purchase the Property in favour of the tenant, subject to certain conditions, for a price to be agreed upon by the parties or, failing such agreement, for a price equal to the then appraised fair market value of the property.



## **Industrial and Mixed Use Properties**

### ***1990, Jean-Talon Nord, Sainte-Foy, Québec***

An 88,843 square foot mixed use building situated on 184,117 square feet of land. The building was built in 1976 and 1977 and renovated in 1995 and 1996. A total of \$ 390,000 was spent on such renovations. The building is 92.7 % leased, and has 196 outdoor parking spaces. Significant tenants include Refac Inc. (Westburne), Caractera Inc., Active Canada, RJR McDonald Inc. and Rothmans Benson & Hedges Inc.

### ***320, de la Canardière, Sainte-Foy, Québec***

A 12,777 square foot mixed use building situated on 13,638 square feet of land. The building was built in 1980 and renovated in 1993. The building is 80 % leased, and includes 19 outdoor parking spaces. The significant tenant is Centre communautaire juridique de Québec (legal aid).

### ***1515, St-Jean-Baptiste, Québec City, Québec***

A 61,771 square foot industrial building situated on 284,078 square feet of land. The building is used for stores and showrooms. It was built in 1979 and renovated in 1989. The building is 100.0 % leased, and has 87 outdoor parking spaces. Significant tenants include Barnabé Meubles (1983) Inc., Centre d'estimation de la Capitale and Aérobie Technologies Inc.

### ***2022, Lavoisier, Sainte-Foy, Québec***

A 59,249 square foot industrial building situated on 161,596 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1978. The building is 93.9 % leased, and has 141 outdoor parking spaces. Significant tenants include Crobrel Ltée, Otis Canada, Radio-Canada, Essilor Canada Ltée and Tried Ltd.

### ***100, Chabot, Vanier, Québec***

A 107,000 square foot industrial building situated on 109,684 square feet of land. The building was built in 1968 and expanded in 1986. The building is 100.0 % leased, to Leon's Furniture Ltd. and has 94 outdoor parking spaces.

### ***2160, Jean-Talon Nord, Sainte-Foy, Québec***

A 45,151 square foot industrial building situated on 115,692 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1965, expanded in 1981 and renovated in 1994. A total of \$ 220,000 was spent on such renovations. The building is 86.1 % leased, and has 71 outdoor parking spaces. Significant tenants include Meubles Jacques Gaulin Inc. and Opération Enfants Soleil.

### ***4975, Rideau, Québec City, Québec***

A 32,861 square foot industrial building situated on 106,598 square feet of land. The building was built in 1990 and is used for offices, showrooms and warehousing. The building is 77.9 % leased, and has 64 outdoor parking spaces. Significant tenants include Ikon Solutions de bureau Inc., Canadian Industrial Distributors Inc. and Les Portes Baril Inc.

### ***2020, Jean-Talon Nord, Sainte-Foy, Québec***

A 41,133 square foot industrial building situated on 129,002 square feet of land. The building is used for a bowling alley. The building was built in 1968. The Property is 100.0 % leased, to Brunswick Corporation Ltd. and has 62 outdoor parking spaces.

***280, rue Racine, Loretteville, Québec***

An 18,801 square foot mixed use building situated on 36,512 square feet of land. The building was built in 1984 and expanded in 1986. The building is 100% leased and has 60 outdoor parking spaces. Significant tenants include Canada Post Corporation and a Canadian chartered bank. Canada Post Corporation's lease provides for a right of first refusal in its favour with respect to any proposed sale of the Property pursuant to a third party offer to purchase at certain times during the initial term or the renewal term of the lease on the same terms as such third party offer, subject to certain conditions.

***2025, Lavoisier, Sainte-Foy, Québec***

A 37,078 square foot industrial building situated on 93,815 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1978 and 1983 and renovated in 1990. The building is 94.2 % leased, and includes 72 outdoor parking spaces. Significant tenants include Telav Inc., M.I.R. Solutions Technologiques Inc. and General Motors of Canada.

***2100, Jean-Talon Nord, Sainte-Foy, Québec***

A 31,316 square foot industrial building situated on 88,948 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1962, expanded in 1975 and renovated in 1995. A total of \$ 240,000 was spent on such renovations. The building is 100 % leased, and has 76 outdoor parking spaces. Significant tenants include Bagel Tradition'l and Sico Inc.

***2150, Jean-Talon Nord, Sainte-Foy, Québec***

A 22,560 square foot industrial building situated on 58,002 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1970, expanded in 1985 and renovated in 1994. A total of \$ 260,000 was spent on such renovations. The Property is 51.6 % leased . The significant tenant is Canon of Canada and has 59 outdoor parking spaces.

***2955, Kepler, Sainte-Foy, Québec***

A 14,960 square foot industrial building situated on 82,290 square feet of land. The building is used for offices and warehousing. The building was built in 1978 and has 54 outdoor parking spaces. The Property is 100.0% leased to Expertise Transport Québec. The tenant's lease provides for a right in favour of the tenant to approve any purchaser of the Property, such consent not to be withheld without just cause.

***4175, boulevard Ste-Anne, Beauport, Québec***

A 39,245 square foot industrial building situated on 96,342 square feet of land. The building is used for showrooms and warehousing. The building was built in 1974 and expanded in 1977, 1985 and 1988. The building is 61.9 % leased, and includes 66 outdoor parking spaces. Significant tenants include Trudel et Piché Beauport Inc.

***2180, Jean-Talon Nord, Sainte-Foy, Québec***

A 17,444 square foot industrial building situated on 50,382 square feet of land. The building was built in 1969, expanded in 1984 and renovated in 1997. A total of \$ 425,000 was spent on such renovations. The building is 100 % leased, and has 44 outdoor parking spaces. The tenants are Mobilier International Inc. (furniture store), Ash Temple Ltd. (Servident), SSI 2000 Inc., and Metal 4 inc.

***5125, Rideau, Québec City, Québec***

An 11,575 square foot industrial building situated on 90,062 square feet of land. The building was built in 1987 and renovated in 1997 and includes 56 outdoor parking spaces. The Property is 100.0 % leased to Canpar Transport Ltd.

***454-456, Marconi, Sainte-Foy, Québec***

A 15,853 square foot industrial building situated on 65,183 square feet of land. The building is used for offices and warehousing. The building was built in 1984. The Property is 100.0 % leased, to Axion Sonorisation Éclairage and has 58 outdoor parking spaces.

***5000, Rideau, Québec City, Québec***

A 2,475 square foot industrial building situated on 46,395 square feet of land. The building was built in 1995, has 36 outdoor parking spaces and is leased in its entirety to Public Works Canada. The tenant's lease provides for a right of first refusal in favour of the tenant in respect of any third party offer to purchase at certain times during the initial term or renewal term of the lease on the same terms as such third party offer, subject to certain conditions. The tenant's lease also provides for an option to purchase the Property in favour of the tenant for a price significantly higher than the purchase price to the REIT, exercisable at certain times during the term of the lease or renewal term of the lease, subject to certain conditions.

***1750-90, Newton, Québec City, Québec***

A 63,135 square foot industrial building situated on 163,786 square feet of land. The building was built in 1987 and is used for offices and warehousing. The building is 100.0% leased, and has 65 outdoor parking spaces. Significant tenants include Unisource Inc. and Ascenseurs Drolet Kone Inc.

***1165, Gouin, Québec City, Québec***

A 70,913 square foot industrial building situated on 112,095 square feet of land. The building was built in 1941 and renovated in 1978 and 1993 and is used for warehousing and workshops. The building is 100.0 % leased, and has 61 outdoor parking spaces. There is also municipal parking in close proximity. Significant tenants include Produits Capitale Inc., Asystel Inc. and Étiquettes Berco Inc.

***2010, Lavoisier, Sainte-Foy, Québec***

A 68,235 square foot industrial building situated on 225,961 square feet of land. The building was built in 1976 and is used as a warehousing facility. The Property is 100.0 % leased, to United Auto Parts Inc. and has 87 outdoor parking spaces.

***830, Godin, Vanier, Québec***

A 48,990 square foot industrial building situated on 123,570 square feet of land. The building was built in 1978 and renovated in 1994 and is used for warehousing and workshops. A total of \$ 180,000 was spent on such renovations. The building is 100 % leased, and has 61 outdoor parking spaces. Significant tenants include Pierce Leahy, P.E. Fraser and Canadian Automobile Association (Québec).

***2345, Dalton, Sainte-Foy, Québec***

A 54,258 square foot industrial building situated on 102,664 square feet of land. The building was built in 1973 and renovated in 1981 and is used for warehousing and showrooms. A total of \$ 190,000 was spent on such renovations. The building is 100.0 % leased, and has 67 outdoor parking spaces. Significant tenants include Polycritec Inc., Palmar Automotive Ltd., Bétonel Ltée and Viking Chains Inc.

***2385, Watt, Sainte-Foy, Québec***

A 65,828 square foot industrial building situated on 200,015 square feet of land which is used for warehousing and showrooms. The front building was built in 1973 and the extension was built in 1981. The building is 91.4 % leased, and has 67 outdoor parking spaces. Significant tenants include., Pâtisserie Dumas Inc. and Distribution Silpro Inc.

***625, rue des Canetons, Québec City, Québec***

A 19,981 square foot industrial building situated on 178,624 square feet of land. The building was built in 1989, has 64 outdoor parking spaces and is 100.0 % leased, to United Parcel Services Canada Ltd.

***955, St-Jean-Baptiste, Québec City, Québec***

A 32,904 square foot industrial building situated on 197,925 square feet of land which is used for businesses, showrooms and warehousing. The building was built in 1978 and renovated in 1991 and includes 65 outdoor parking spaces. The building is 100 % leased. Significant tenants include Newcourt Nationalease Inc., Klockner Moeller Ltée and Moteurs électriques Laval.

***5130, Rideau, Québec City, Québec***

A 24,408 square foot industrial building situated on 89,781 square feet of land. The building was built in 1988 and has 47 outdoor parking spaces. The building is 100 % leased to eight tenants. Significant tenants are L'Islet Transport inc., Toromont Inc. and Enertrak Inc.

***2755, rue Dalton, Sainte-Foy, Québec***

A 23,880 square foot industrial building situated on 69,648 square feet of land, which is used for offices and warehousing. The building was built in 1971 and renovated in 1989 and has 67 outdoor parking spaces. The building is 100.0 % leased. Significant tenants are Rosedale Transport Ltd. and Institut national de la recherche scientifique (Université du Québec).

***905, Ducharme, Vanier, Québec***

A 20,504 square foot industrial building situated on 50,000 square feet of land, which is used for warehousing and workshops. The building was built in 1972 and renovated in 1991 and has 57 outdoor parking spaces. The building is 100 % leased. Significant tenants include Industries Forma 3 Inc. and Machinage Usitech Inc.

***2015, Lavoisier, Sainte-Foy, Québec***

A 2,006 square foot industrial building situated on 15,539 square feet of land, which is used for offices and workshops. The building was built in 1974, has 17 outdoor parking spaces and is 100.0 % leased, to Modulaire Plus.

***650, avenue Godin, Vanier, (Québec)***

A 196,335 square foot industrial building situated on 334,215 square feet of land. This building was built in 1967, expanded in 1975 and 1977 and renovated at the end of the 1980's. The building is used for office, shop and warehousing. The building is 100.0 % leased and the significant tenants are Société Immobilière du Québec and L.P.A. Medical Inc.

***625, avenue Godin, Vanier, (Québec)***

A 60,078 square foot industrial building situated on 131,200 square feet of land. This building was built in 1989 and 1990. The building is used for warehousing and showrooms. The building is 94.1 % leased and has 103 outdoor parking spaces. Significant tenants are Messagerie Dynamiques, a division of Communications Québecor Inc., Partagec and Stelco.

***579, avenue Godin, Vanier, (Québec)***

A 12,337 square foot industrial building situated on 44,000 square feet of land. This building was built in 1981 and will be renovated in 1999. The building is 100.0 % leased at BOC Canada Ltd. and has 25 outdoor parking spaces.

***2700, rue Jean-Perrin, Québec (Québec)***

A 131,066 square foot mixed use building, including 28,425 square foot of office, situated on 327,528 square feet of land. This building was built in 1987 and renovated in 1999. The building is 84.9 % leased and has 325 outdoor parking spaces. Significant tenants include La Société canadienne des Postes, Télémaq 24, Entourage Solutions Technologiques, Graphiscan, Cantel et Clearnet.

***2181-2211, rue Léon-Harmel, Québec (Québec)***

A 45,000 square foot mixed use building, including 8,999 square foot of office (on the second floor) situated on 174,315 square feet of land. The building was built in 1974. This building is 88.5% leased and has 70 outdoor parking spaces. Significant tenants include Centre de recherche industrielle du Québec (Optifor), Déménagement Métrobec, Groupe SPL et Beauvais et Verret Inc.

***445, rue St-Jean-Baptiste, Québec (Québec)***

A 56,226 square foot industrial building, situated on 262,348 square feet of land. The building was built in 1986. The building is 92.1% leased and has 110 outdoor parking spaces. Significant tenants include Silverrun Technologies Inc., Créations Publicitaires Inc., Arrow Electronics Canada Ltd. and ABF Freight Systems Canada Ltd.

***500, rue St-Jean-Baptiste, Québec (Québec)***

A 43,671 square foot industrial building, situated on 151,962 square feet of land. The building was built in 1987 and is used for showrooms. The building is 100.0% leased and has 120 outdoor parking spaces. Significant tenants include Northern Fibronic Inc. (Exfo-Ingénierie Electro-Optique Inc.), E.B.Q.M. Inc., Planchers Bois Franc 2000 Inc., Escaliers Gilles Grenier Inc.

***5275, boulevard Wilfrid-Hamel, Québec (Québec)***

A 29,719 square foot mixed use building, including 8,999 square foot of office (on the second floor), situated on 88,692 square feet of land. The building was built in 1981. The building is 86.9% leased and has 78 outdoor parking spaces. Significant tenants include Acousti-Plus Inc. et Inglis Limited.

***8288, boulevard Pie-IX, Montréal (Québec)***

A 119,000 square foot industrial building, situated on 250,302 square feet of land. The building was built in 1989 and is used for office and warehousing. The building is 100.0% leased and has 133 outdoor parking spaces. Significant tenant is Belron Canada Inc.

***1415, 32<sup>e</sup> Avenue, Lachine (Québec)***

A 71,500 square foot industrial building, situated on 119,388 square feet of land. The building was built in 1989 and expanded in 1993. The building is 100.0% leased at Distributeurs Delhar Canada Ltée and has 88 outdoor parking spaces.

***1455, 32<sup>e</sup> Avenue, Lachine (Québec)***

A 32,500 square foot industrial building, situated on 119,164 square feet of land. The building was built in 1989 and is used for office and warehousing. The building is 100.0% leased at Stochem Inc. and has 70 outdoor parking spaces.

***1475, 32<sup>e</sup> Avenue, Lachine (Québec)***

A 91,690 square foot industrial building, situated on 206,264 square feet of land. The building was built in 1988 and is used for office and warehousing. The building is 100.0% leased at Wood Wyant Inc. and has 96 outdoor parking spaces.

**3300, J.B. Deschamps, Lachine (Québec)**

A 19,393 square foot industrial building, situated on 118,456 square feet of land. The building was built in 1989 and has 46 outdoor parking spaces. The building is 100.0% leased at Paquette White Inc.

**Property being developed****1670, rue Simple, Québec (Québec)**

A 91,200 square foot industrial building, situated on 271,354 square feet of land. The building was built in 1981. This building was designed as a large warehouse and has an advantageous clear height of 22 feet. There are 225 outdoor parking spaces.

**NON-COMPETITION AGREEMENT****General**

The corporations and partnerships comprising the Dallaire Group and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire entered into the Non-Competition Agreement with the REIT, which will restrict certain real estate related activities by them and their spouses (collectively the "**Restricted Group**").

**Scope of Restrictions and Right of First Refusal**

Except as provided in the Non-Competition Agreement, each member of the Restricted Group will be prohibited from investing in office, retail, industrial or mixed-use properties, unless the REIT has been offered such investment in accordance with the terms of the Non-Competition Agreement. The Non-Competition Agreement provides that each member of the Restricted Group, during the term of any lease of a tenant of any Property or within 60 days after the expiry thereof, does not solicit such tenant to move to a building in which the REIT does not have an interest. The foregoing restriction does not apply to a tenant, which has ceased to be a tenant of any property of the REIT which requires additional space which the REIT is unable to accommodate.

The restrictions in the Non-Competition Agreement don't apply to properties in Canada only.

The Non-Competition Agreement provides for a right of first refusal in favour of the REIT with respect to any proposed sale of any office, retail, industrial or mixed use property owned by any member of the Restricted Group pursuant to a third party offer to purchase which such member is prepared to accept, for the same price and on the same terms and conditions as such third party offer to purchase.

**Term of Restrictions**

The restrictions in the Non-Competition Agreement applies to the Dallaire Group until the occurrence of the later of the following events: (i) one year after the Dallaire Family, directly or indirectly, ceases to own, in the aggregate, at least 10 % of the Units then outstanding; and (ii) Mr. Jules Dallaire ceases to be bound by the Non-Competition Agreement and ceases to have an active role in the management of the Dallaire Group.

Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire are bound by such restrictions until one year after the occurrence of the later of the following events: (i) he ceases to be a Trustee, officer or employee of the REIT; and (ii) if he has an interest in the Dallaire Group, whether as a shareholder, director or officer of a corporation comprising the Dallaire Group or as a partner of a partnership comprising the Dallaire Group, (a) he ceases to have such an interest or (b) the Dallaire Family, directly or indirectly, ceases to own at least 10 % of the Units then outstanding. Upon any of Messrs. Jules Dallaire, Michel Dallaire or Alain Dallaire ceasing to be bound by such restrictions, his spouse will also cease to be so bound.

A breach of the Non-Competition Agreement by Mr. Jules Dallaire or his spouse (so long as he has an active role in the management of the Dallaire Group) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses. A breach of the Non-Competition Agreement by Mr. Michel Dallaire or his spouse (so long as he has an active role in the management of the Dallaire Group) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses. A breach of the Non-Competition Agreement by Mr. Alain Dallaire or his spouse (so long as he has an active role in the management of the Dallaire Group) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses.

### **Exclusions from Restrictions**

The restrictions in the Non-Competition Agreement don't apply to the Restricted Group with respect to any real estate other than office, retail, industrial or mixed use properties or with respect to any investments in respect of which any member of the Restricted Group has no active management or which they do not control.

In addition, any member of the Restricted Group and his spouse shall have the right to invest in and develop any of the Excluded Property or any immovable property transmitted by way of donation, will, succession or bequest to him or her, provided that in either case, as soon as practicable (but in any event within 90 days) after the date on which such property is substantially non-residentially leased, the REIT is offered the opportunity to purchase their interest at fair market value, except however in the case of immovable property transmitted at arm's length by way of donation, will, succession or bequest which is gratuitous and stipulates inalienability. The REIT has the opportunity to purchase at fair market value, from an affiliate of the Dallaire Group, an industrial property located in Québec City which is subject to an offer to purchase by such affiliate accepted by the property's owner, as soon as practicable (but in any event within 90 days) after the date on which such property is substantially non-residentially leased, and provided the ownership of the property has been effectively transferred to such affiliate or the Dallaire Group.

However, no exclusion limits the restriction on soliciting tenants as described above.

## **CONTRACT OF TRUST AND DESCRIPTION OF UNITS**

The following is a summary of certain terms of the Contract of Trust which, together with other summaries of the terms of the Contract of Trust appearing elsewhere in this Annual Information Form, are qualified in their entirety by reference to the text of the Contract of Trust.

### **General**

The REIT is an unincorporated trust created pursuant to the Contract of Trust and governed by the laws of the Province of Québec.

### **Units**

The ownership interests in the REIT constitute a single class of Units. Units represent a Unitholder's proportionate undivided ownership interest in the REIT. The aggregate number of Units which the REIT may issue is unlimited. Upon closing of the REIT's initial public offering completed on May 21, 1998, there was 14,500,000 Units outstanding, of which 8,300,000 were instalment receipt Units and 6,200,000 were the Dallaire Group Units. The Dallaire Group Units were issued to the Dallaire Group in partial payment of the consideration payable to the Dallaire Group for the properties and Assets acquired under the Purchase Agreements. A further 1,450,000 Units are issuable on exercise of options granted under the Unit Option Plan (see "**Unit Option Plan**"). No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate equally and ratably in any distributions by the REIT and, in the event of any required distribution of all of the property of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be issued in registered form, will be non-assessable when issued and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without Unitholder approval. No

certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

The Units issued upon the terms are subject to the conditions of the Contract of Trust, which Contract of Trust is binding upon all holders of Units and by the acceptance of the certificate representing such Units, the holder thereof agrees to be bound by the Contract of Trust.

### **Purchase of Units**

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. A Unitholder will not have the right at any time to require the REIT to purchase such Unitholder's Units.

### **Take-over Bids**

The Contract of Trust contains provisions to the effect that if a take-over bid is made for Units within the meaning of the *Securities Act* (Québec) and not less than 90 % of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the offer either, at the election of such Unitholders, on the terms offered by the offeror or at the fair value of such Unitholders' Units determined in accordance with the procedures set out in the Contract of Trust.

### **Meetings of Unitholders**

The Contract of Trust provides that meetings of Unitholders must be called and held for the election or removal without cause of Trustees (other than Trustees of the Dallaire Group for so long as the Dallaire Group holds at least 10 % of the Units then outstanding), the appointment or removal of the auditors of the REIT, the approval of amendments to the Contract of Trust (as described under "Amendments to Contract of Trust"), the sale of the assets of the REIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees and to require that all of the property of the REIT be distributed. Meetings of Unitholders will be called and held annually for the election of the Trustees (other than Trustees of the Dallaire Group for so long as the Dallaire Group holds at least 10 % of the Units then outstanding) and the appointment of auditors of the REIT.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5 % of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those, which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy need not be a Unitholder.

### **Issuance of Units**

The REIT may issue new Units from time to time. Unitholders do not have any preemptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. In addition to Units which may be issued pursuant to the Unit Option Plan (see "Unit Option Plan"), new Units may be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of the Units, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders). In certain instances, the REIT may also issue new Units as consideration for the acquisition of new properties or assets. The price or the value of the consideration for which Units may be issued will be determined by the Trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units.



### **Limitation on Non-Resident Ownership**

At no time may non-residents of Canada (within the meaning of the *Tax Act*) be the beneficial owners of more than 49 % of the Units and the Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the transfer agent and registrar becomes aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 49 % of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will advise the Trustees and, upon receiving direction from the Trustees, may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49 % of the Units are held by non-residents, the transfer agent and registrar may, upon receiving direction and suitable indemnity from the Trustees, send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the transfer agent and registrar may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the transfer agent and registrar with satisfactory evidence that they are not non-residents of Canada within such period, the transfer agent and registrar may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders shall cease to be holders of Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate representing such Units.

### **Information and Reports**

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the *Tax Act* or equivalent provincial legislation.

Prior to each annual and special meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*.

### **Amendments to Contract of Trust**

The Contract of Trust may be amended or altered from time to time. Certain amendments must be approved by at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose. These include:

- (i) any amendment to change a right with respect to any outstanding Units of the REIT, to reduce the amount payable thereon upon termination of the REIT or to diminish or eliminate any voting rights pertaining thereto;
- (ii) any amendment to the duration or term of the REIT;
- (iii) any amendment to increase the maximum number of Trustees (to more than eleven Trustees) or to decrease the minimum number of Trustees (to less than nine Trustees), any change by the Unitholders in the number of Trustees within the minimum and maximum number of Trustees provided in the Contract of Trust, or any authorization by the Unitholders to the Independent Trustees to effect such change and, if applicable, to appoint additional Independent Trustees within such minimum and maximum number of Trustees;
- (iv) any amendment to the provisions relating to staggered terms of the Trustees; and
- (v) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees.

Other amendments to the Contract of Trust must be approved by a majority of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of, or any notice to, Unitholders, make certain amendments to the Contract of Trust, including amendments:

- (i) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the REIT, its status as a "unit trust", a "mutual fund trust" and a "registered investment" under the *Tax Act* or the distribution of Units;
- (ii) which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- (iii) to remove any conflicts or inconsistencies in the Contract of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (iv) which, in the opinion of the Trustees, are necessary or desirable to conform the Contract of Trust to the disclosure in a final prospectus (or any subsequent amended prospectus) for an offering;
- (v) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws;
- (vi) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) if the Trustees are of the opinion that the amendment is not prejudicial to Unitholders and is necessary or desirable; and
- (vii) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis.

#### **Sale of Assets**

Any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees) shall occur only if approved by at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose.

#### **Term of the REIT**

The REIT has been established for a term to continue until no property of the REIT is held by the Trustees. The distribution of all of the property of the REIT may be required by the affirmative vote of two-thirds of the votes cast at a meeting of Unitholders called for such purpose.

#### **Independent Trustee Matters**

At least a majority of the Trustees must be Independent Trustees. Pursuant to the Contract of Trust, all Independent Trustee Matters will require the approval of a majority of the Independent Trustees only. "**Independent Trustee Matter**" means any decision:

- (i) to enter into arrangements in which the Dallaire Group has a material interest;
- (ii) to appoint, where permitted under the Contract of Trust, an Independent Trustee to fill a vacancy among the Independent Trustees, and to recommend to the Unitholders that the number of Trustees be increased or decreased and, if applicable, to nominate for election by the Unitholders individuals as Independent Trustees to fill any office of Trustee so created;
- (iii) to increase the compensation of Management;
- (iv) to grant options under any Unit option plan approved by the Trustees, including, without limitation, the Unit Option Plan (see "Unit Option Plan");
- (v) to enforce any agreement entered into by the REIT with a Trustee who is not an Independent Trustee, or with an associate of a non-Independent Trustee; or

- (vi) in relation to a claim by or against the Dallaire Group, any member of the Dallaire Family or any affiliate or Associate of any of the foregoing or in which the interest of one of the foregoing differs from the interests of the REIT.

### **Trustees of the Dallaire Group**

Pursuant to the Contract of Trust, Groupe Cominar Inc. (an affiliate of the Dallaire Group) will be entitled to appoint four Trustees on behalf of the Dallaire Group, provided that the Dallaire Group holds at least 10 % of the Units then outstanding.

### **Income Tax Matters**

The Contract of Trust provides that all determinations of the Trustees which are made in good faith with respect to any matters relating to the REIT, including, without limiting the generality of the foregoing, whether any particular investment or disposition meets the requirements of the Contract of Trust, shall be final and conclusive and shall be binding upon the REIT and all Unitholders (and, where the Unitholder is a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered pension fund or plan as defined in the *Tax Act*, or such other fund or plan registered under the *Tax Act*, upon plan beneficiaries and plan holders past, present and future) and Units of the REIT shall be issued and sold on the condition and understanding that any and all such determinations shall be binding as aforesaid.

### **DISTRIBUTION REINVESTMENT PLAN**

The REIT has established a distribution reinvestment plan (the “**Distribution Reinvestment Plan**”), pursuant to which Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price of Units on the Toronto Stock Exchange for the twenty trading days immediately preceding the relevant Distribution Date. No brokerage commissions will be payable in connection with the purchase of Units under the Distribution Reinvestment Plan and all administrative costs are borne by the REIT. Proceeds received by the REIT upon the issuance of additional Units under the Distribution Reinvestment Plan will be used by the REIT for future property acquisitions, capital improvements and working capital.

Unitholders who are resident in the United States or who are United States citizens will not be entitled to participate in the Distribution Reinvestment Plan.

### **UNITHOLDERS' RIGHTS PLAN**

The REIT has established a Unitholders' rights plan (the “**Rights Plan**”). The Rights Plan will utilize the mechanism of the Permitted Bid (as hereinafter described) to ensure that a person seeking control of the REIT gives Unitholders and the Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or else such bidders are subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open for 60 days after the bid is made. If more than 50 % of the Units held by Independent Unitholders (as hereinafter defined) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The take-over bid must then be extended for a further period of ten days on the same terms to allow initially those Unitholders who did not initially tender their Units to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten days after the expiry of the initial tender period. The Rights Plan will likely make it impractical for any person, other than grandfathered transferees, to acquire more than 20 % of the outstanding Units without the approval of the Trustees except pursuant to the permitted bid procedures or pursuant to certain other exemptions outlined below. Management believes that the Rights Plan taken as a whole should not be an unreasonable obstacle to a serious bidder willing to make a *bona fide* and financially fair offer open to all Unitholders.

The terms of the Rights Plan will be established on a basis that takes account of concerns expressed by institutional investors

with respect to certain of the provisions of such plans. The provisions of the plan relating to portfolio managers are designed to prevent the triggering of the plan by virtue of the customary activities of such persons (see "Portfolio Managers" below).

### Summary

The following is a summary of the principal terms of the Rights Plan, which is qualified in its entirety by reference to the text of the Rights Plan.

### Term

The Rights Plan came in full force and effect on May 21, 1998 (the "**Effective Date**"). The term of the Rights Plan is five years, subject to reconfirmation by Unitholders at the annual meeting of the Unitholders of the REIT to be held in 2001.

### Issue of Rights

On the Effective Date, one right (a "**Right**") was issued and attached to each outstanding Unit of the REIT. One Right will also attach to any subsequently issued Units. The initial exercise price of the Rights is \$ 100 (the "**Exercise Price**"), subject to appropriate anti-dilution adjustments.

### Rights Exercise Privilege

The Rights will separate from the Units to which they are attached and will become exercisable at the time (the "**Separation Time**") that is ten trading days after the earlier of (i) a person having acquired, or (ii) the commencement or announcement date in respect of a take-over bid to acquire, 20 % or more of the Units of the REIT, other than by an acquisition pursuant to a Permitted Bid or by an acquisition by the Dallaire Group (or transferee thereof) in certain circumstances.

The acquisition by a person (an "**Acquiring Person**"), including others acting in concert, of 20 % or more of the Units of the REIT, other than by way of a Permitted Bid or by the Dallaire Group (or transferee thereof) in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of \$ 200, on payment of \$ 100 (i.e., at a 50 % discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Units, reported earnings per Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

### Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Units. Prior to the Separation Time, Rights will not be transferable separately from the attached Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the Units.

### Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;

- (ii) the take-over bid must be made for all Units and to all holders of Units, other than the bidder;
- (iii) the take-over bid must not permit Units tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days and then only if at such time more than 50 % of the Units held by Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the "**Independent Unitholders**") have been tendered pursuant to the take-over bid and not withdrawn; and
- (iv) If more than 50 % of the Units held by Independent Unitholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Units for an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 21 days, it may expire on the same date as the Permitted Bid.

### **Waiver and Redemption**

The Trustees may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the Trustees may, at their option, redeem all, but not less than all, of the outstanding Rights at a price of \$ 0.001 each.

### **Waiver of Inadvertent Flip-in Event**

The Trustees may, prior to the close of business on the tenth day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, provided such person is not an Acquiring Person at the time of the grant of the waiver.

### **Portfolio Manager**

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers including trust companies and other persons where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

### **Supplement and Amendments**

The REIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or to maintain the validity of the Rights Plan as a result of changes in law or regulation.

### **Eligibility for Investment in Canada**

Provided that the REIT qualifies and remains qualified as a mutual fund trust for purposes of the *Tax Act* at all material times, based on current legislation, the Rights will each be qualified investments under the *Tax Act* for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Based on current legislation, the issue of Rights will not affect the status under the *Tax Act* of the Units for such purposes nor will it affect the eligibility of such securities as investments for investors governed by certain Canadian federal and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

## General

Until a Right is exercised, the holders thereof, as such, will have no rights as a Unitholder.

### SELECTED FINANCIAL INFORMATION

The following table sets forth a summary of financial information of the REIT for the period from January 1, 1999 to December 31, 1999:

	Actual	Adjusted forecast of the IPO prospectus
	(in thousands of dollars, except amounts per unit)	
Rental for income properties.....	48,381	41,133
Net operating income.....	27,886	23,002
Net operating income per unit.....	1.92	1.59
Net income.....	14,577	12,224
Net income per unit.....	1.01	0.84
Cash distributions per unit.....	1.05	0.884
Total assets.....	294,279	---
Hypothecs payable.....	126,144	---

For comparison purposes with the results of the fiscal year ended December 31, 1999, we adjusted the forecasts of the prospectus of the public offering by replacing loan interest and instalment receipts interest income by those of 1999.

The following table summarize certain financial information of the REIT for the three months periods ending indicated below :

	<u>March 31, 1999</u>	<u>June 30, 1999</u>	<u>September 30, 1999</u>	<u>December 31, 1999</u>
	(in thousands of dollars, except amounts per unit)			
Rental from income properties.....	11,826	11,989	12,071	12,495
Net operating income.....	6,451	6,650	7,118	7,667
Net operating income per unit.....	0.449	0.458	0.491	0.529
Net income.....	3,281	3,370	3,881	4,045
Net income per unit.....	0.226	0.232	0.268	0.279

### DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT as contained in the Contract of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders.

## General

The REIT distributes to Unitholders monthly, on or about the 15(th) day in each calendar month (other than January) and on December 31 in each calendar year (a "**Distribution Date**"), not less than 85 % of the Distributable Income of the REIT for the preceding calendar month and, in the case of distributions made on December 31, for the calendar month then ended. Unitholders also are entitled to receive a distribution on December 31 of each year of: (i) the net realized capital gains of the REIT and the net

recapture income of the REIT for the year then ended; and (ii) any excess of the income of the REIT for the purposes of the *Tax Act* over distributions otherwise made for that year.

Distributions are made in cash. Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees' estimates for the prior periods.

If the Trustees anticipate a cash shortfall and determine that it would be in the best interests of the REIT, they may reduce for any period the percentage of Distributable Income to be distributed to Unitholders.

Presently, the REIT intend to gradually modify its distribution percentage passing from 95% to 90% of the Distributable income. This modification will be done progressively without diminishing the distribution per unit. Monthly distributions will be based on the Trustees' estimate of yearly Distributable Income, subject to adjustment from time to time throughout the year.

### **Computation of Distributable Income for Distribution Purposes**

The Distributable Income of the REIT is calculated based on the REIT's income determined in accordance with the provisions of the *Tax Act*, subject to certain adjustments as set out in the Contract of Trust, including that capital gains and capital losses be excluded, net recapture income be excluded, no deduction be made for non-capital losses, capital cost allowance, terminal losses, amortization of cumulative eligible capital or amortization of costs of issuing Units, and leasehold and tenant improvements be amortized. Distributable Income so calculated may reflect any other adjustments determined by the Trustees in their discretion and may be estimated whenever the actual amount has not been fully determined. Such estimates will be adjusted as of the subsequent Distribution Date when the amount of Distributable Income has been finally determined.

### **Computation of Net Realized Capital Gains and Net Recapture Income**

The net realized capital gains of the REIT for any year means the amount, if any, by which the capital gains of the REIT for the year exceed the aggregate of (i) the amount of any capital losses of the REIT for the year and (ii) the amount of any net capital losses of the REIT from prior years to the extent not previously deducted. The net recapture income of the REIT for any year means the amount, if any, by which the amount required to be included in the income of the REIT for income tax purposes for such year in respect of recapture of capital cost allowance previously claimed by the REIT exceeds terminal losses realized by the REIT in the year.

### **Tax Deferral on 1999 and 2000 Distributions**

The distributions made by the REIT to Unitholders in 1999 were tax deferred at 69.0 % by reason of the REIT's ability to claim capital cost allowance and certain other deductions. Management estimates that approximately 65.0 % of the distributions made in 1999 will be tax deferred. In the year of acquisition of a property, capital cost allowance is restricted to one-half of the normal annual rates. The adjusted cost base of Units held by a Unitholder will generally, subject to certain conditions under the *Tax Act*, be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholders' Units would otherwise be a negative amount.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS**

The heading management's discussion and analysis of the REIT's operating results and on the evolution of the financial situation for the period ended December 31, 1999 may be found at pages 14 through 20 of the REIT's 1999 annual report in the section entitled "Management's Discussion and Analysis of Operating Results and Financial Position."

## MARKET FOR SECURITIES

The Units of the REIT are listed on the Toronto Stock Exchange under the trading symbol "CUF.UN".

## MANAGEMENT OF THE REIT

The operations and affairs of the REIT subject to the control of the Trustees and the operations of the REIT are under the direction of Management. Among other duties, Management will be responsible for providing the Trustees with information and advice relating to acquisitions, dispositions and financing, maintaining the books and financial records of the REIT, preparing reports and other information required to be sent to Unitholders and other disclosure documents, calculating and determining all allocations, designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes, preparing all documentation relating to meetings of Unitholders, completing or supervising completion of transactions and recommending suitable individuals for nomination as Trustees.

### Trustees

The Contract of Trust provides that the assets and operations of the REIT are subject to the control and authority of a minimum of nine and a maximum of eleven Trustees.

The number of Trustees within such minimum and maximum numbers may be changed by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders, or by the Independent Trustees if so authorized by the Unitholders. A vacancy occurring among the Independent Trustees may be filled by resolution of the Independent Trustees only or by the Unitholders at a meeting of the Unitholders. An Independent Trustee may be removed with or without cause by two-thirds of the votes cast at a meeting of Unitholders or with cause by two-thirds of the remaining Independent Trustees.

The Dallaire Group is entitled to appoint four Trustees so long as the percentage of Units that the Dallaire Group holds is at least 10 % of the Units then outstanding. The remaining Trustees are to be elected by resolution passed by a majority of the votes cast at a meeting of the Unitholders. Such Trustees will serve two year staggered terms. Trustees elected at an annual meeting will be elected for terms expiring at the second subsequent annual meeting and will be eligible for re-election. A Trustee appointed or elected to fill a vacancy will be so appointed or elected for the remaining term of the Trustee he is succeeding.

A majority of the Trustees must be resident Canadians. A majority of the Trustees must have had at least five years substantial experience in the real estate industry and at least a majority of the Trustees must be Independent Trustees. Certain decisions respecting the REIT must be approved by a majority of the Independent Trustees only. See "Contract of Trust and Description of Units — Independent Trustee Matters".

The Contract of Trust provides that at all relevant times, it is intended that at least one Trustee will not be, directly or indirectly, a Unitholder or a person who owns an option to acquire Units (a "**Non-Unitholder Trustee**"). The Contract of Trust provides that in the event that at any relevant time, there is no Non-Unitholder Trustee, the Trustees shall take appropriate action during a period of no longer than 60 days thereafter to assure that there shall be at least one Non-Unitholder Trustee. The Contract of Trust further provides that, notwithstanding anything therein contained to the contrary, and to the fullest extent permitted by applicable law, all the acts of the Trustees otherwise in accordance with the Contract of Trust shall be valid notwithstanding any temporary failure to comply with the foregoing provision.

A quorum for all meetings of the Trustees or any committee thereof is constituted of at least a majority of the Trustees or of the Trustees on such committee, as the case may be, present in person, at least one of whom shall, except for the Compensation and Governance Committee (all of whose members must be Independent Trustees), be an Independent Trustee. The Trustees (or, when only the approval of a majority of all of the Independent Trustees is required, the Independent Trustees) may act with or without a meeting. Any action of the Trustees (or the Independent Trustees in the circumstances mentioned in the preceding sentence) may be taken at a meeting by vote or without a meeting by written consent or resolution signed by all of the Trustees, or all of the Independent Trustees, as the case may be.



The exclusive standard of care and duties of the Trustees provided in the Contract of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, the Contract of Trust requires that the Trustees exercise their powers and carry out their functions honestly, in good faith, with a view to the best interests of the REIT and the Unitholders and, in connection therewith, they exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and standard of care of the Trustees as aforesaid are intended to be similar to and not greater than those imposed on an administrator of the property of others charged with full administration pursuant to article 1309 of the *Civil Code of Québec*. The Contract of Trust provides that, to the extent that the Trustees have contracted or delegated the performance of certain activities to a property manager, they shall be deemed to have satisfied the aforesaid standard of care.

The Contract of Trust provides for certain indemnities in favour of the Trustees and officers of the REIT and certain other persons in certain circumstances.

#### **Conflict of Interest Restrictions and Provisions**

The Contract of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on the REIT. Given that the Trustees are engaged in a wide range of real estate and other activities, the Contract of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in immovable property or a joint venture arrangement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the meeting at which a proposed contract or transaction is first considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees or the Unitholders, a Trustee is required to disclose in writing to the REIT or request to have entered into the minutes of the meetings, the nature and extent of his interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his remuneration as a Trustee, officer, employee or agent of the REIT or one for indemnity under the provisions of the Contract of Trust or the purchase of liability insurance.

## Trustees and Officers

The following table sets forth the name and municipality of residence, principal occupation of each Trustee and officer of the REIT, and their years of service as trustees are as follows:

Name, Municipality of residence and office	Principal occupation	Year first became a Trustee	Number of units of the REIT held or over which control or direction is exercised <sup>1)</sup>
<b>JULES DALLAIRE</b> Charlesbourg, Québec	Trustee, and President and Chief Executive Officer of the REIT	1998	---
<b>MICHEL BERTHELOT, c.a.</b> Cap-Rouge, Québec	Trustee and Executive Vice-President and Chief Financial Officer of the REIT	1999	4 400
<b>MICHEL DALLAIRE, ing.</b> <sup>2)</sup> Beauport, Québec	Trustee and Executive Vice-President, Operations of the REIT	1998	6,428,100 <sup>(5)</sup>
<b>Me MICHEL PAQUET</b> Sainte-Foy, Québec	Trustee, and Executive Vice-President, Legal Affairs and Secretary of the REIT	1998	8,500
<b>YVAN CARON</b> <sup>2) 3) 4)</sup> Québec, Québec	Trustee	1998	---
<b>ROBERT DESPRÉS, o.c.</b> <sup>2) 4)</sup> Québec, Québec	Trustee	1998	10,000
<b>PIERRE GINGRAS</b> <sup>3) 4)</sup> Ste-Pétronille Ile d'Orléans, Québec	Trustee	1998	42,000
<b>GHISLAINE LABERGE</b> <sup>3) 4)</sup> Verdun, Québec	Trustee	1998	---
<b>RICHARD MARION</b> <sup>4)</sup> Dollard-des-Ormeaux, Québec	Trustee	1998	---

Notes :

- 1) Individual Trustees have furnished information as to Units beneficially owned by them or over which they exercise control of direction.
- 2) Member of the Audit Committee.
- 3) Member of Compensation and Governance Committee.
- 4) Independent Trustee
- 5) Comprises 6,407,400 Units which are beneficially owned by "AM Total Investments, general partnership" previously known as " Société en nom collectif Cominar " . The "AM Total Investments, general Partnership" units are indirectly held by members of the Dallaire Family .

The mandate of Richard Marion, Pierre Gingras and Robert Després as independent Trustees was renewed at the annual meeting of Unitholders held on May 10, 2000, to hold office until the closing of the annual meeting of Unitholders for the fiscal year of the REIT ending on December 31, 2001, or until their successions are duly elected or appointed in accordance with the Contract of Trust.

The mandate of Yvan Caron and Ghislaine Laberge will expire at the closing of the annual meeting of Unitholders for the fiscal year ending December 31, 2000.

The mandate of Jules Dallaire, Michel Berthelot, Michel Dallaire and Michel Paquet will not expire until their respective successors are elected or appointed by the Dallaire Group.

Each of the Trustees of the REIT named in the above table has been engaged in their principal occupation for at least five (5)

years, except for Michel Berthelot who, from January 1997 to February 1999 was President of “Michel Berthelot and Associates Inc.” and prior to 1997, was Vice-President and General Manager of “Forkem inc.” ( a manufacturer and distributor of industrial and commercial sanitary products).

The Management and Trustees of the REIT beneficially held collectively (five persons) 79,200 Units or had control over 6,413,800 Units, representing approximately 43.0 % of the outstanding Units as of December 31, 1999.

#### **Investment Committee**

The Contract of Trust provides that the Trustees may, subject to applicable law, from time to time appoint from among their number an Investment Committee consisting of at least three Trustees. At least two-thirds of the members of the Investment Committee must have had at least five years substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be Independent Trustees and one member must be a Trustee of the Dallaire Group (for so long as the Dallaire Group owns at least 10 % of Units then outstanding).

The trustees decided unanimously not to form an investment committee for the time being, preferring to leave all the latitude required to the board of trustees to approve or reject projected operations including acquisition projects and the transfer of investments as well as loan (including the assumption or the creation of immovable hypothecs) by the REIT.

#### **Audit Committee**

The contract of Trust requires, subject to applicable law, the creation of an Audit Committee, consisting of at least three (3) trustees, to review the financial statements of the REIT. A majority of the members of the Audit Committee must be Independent Trustees and one member must be a Trustee of the Dallaire Group (for so long as the Dallaire Group owns at least ten per cent (10 %) of the units then outstanding). The trustees have appointed an Audit Committee consisting of three (3) trustees, namely Robert Després (President), Yvan Caron and Michel Dallaire.

#### **Compensation and Governance Committee**

The Contract of Trust requires, subject to applicable law, the creation of a Compensation and Governance Committee, consisting of at least three (3) Trustees, to review management’s compensation and the governance of the REIT. All of the members of the Compensation and Governance Committee consisting of three (3) trustees, namely Yvan Caron (president), Pierre Gingras and Ghislaine Laberge.

#### **Remuneration of Trustees**

A person who is employed by and receives salary from the REIT will not receive any remuneration from the REIT for serving as a Trustee. Trustees who are not so employed will receive remuneration from the REIT in the amount of \$ 8,000 per year and \$ 500 for each meeting of Trustees attended by the Trustee. In all cases, Trustees will be entitled to reimbursement from the REIT of their out-of-pocket expenses incurred in acting as Trustees.

#### **Unit Option Plan**

The REIT has established a unit option plan (the “**Unit Option Plan**”). Participation in the Unit Option Plan is restricted to (i) trustees, officers or employees of the REIT or its subsidiary (an “**eligible person**”), (ii) to a corporation controlled by an eligible person holding, directly or indirectly, the issued and outstanding voting shares and/or the spouse, minor children and/or minor grandchildren, or (iii) a family trust of which the sole trustee is an eligible person and the beneficiary(ies) are an eligible person or a combination of those constituting an eligible person and/or their spouse, minor children and/or minor grandchildren.

The REIT adopter a unit option plan for which the participation is restricted to the trustees and key-employees of the REIT. The granting of option id made by the trustees. The maximum number of units reserved for issuance pursuant to the unit option plan is 1,450,000 units. The options are for a maximum period of five (5) years. The options will be exercisable on a cumulative basis as to

33 <sup>1/3</sup> % of the options after each of the three first anniversary of the grant. The exercise price of options equals the market price of the REIT's units on the date of grant.

The following is summary information regarding options outstanding under the Unit Option Plan:

	1999		1998	
	Options	Weighted-average exercise price \$	Options	Weighted-average exercise price \$
Outstanding, beginning of year	189,000	10.10	-	-
Cancelled	(21,000)	(10.10)	-	-
Granted	735,000	9.25	189,000	10.10
Outstanding, end of year	903,000	9.41	189,000	10.10

Date of grant	Maturity Date	Exercise Price \$	December 31, 1999	
			Outstanding options	Options Exercisable
May 29, 1998	May 29, 2003	10.10	168,000	56,000
May 21, 1999	May 21, 2004	9.25	735,000	-
			903,000	56,000

### RISK FACTORS

There are certain risks inherent in an investment in the Units and in the activities of the REIT, including the following, which investors should carefully consider before investing in the Units.

#### Market Price

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the appraisal.

One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of the REIT.

#### Ownership of Immovable Property

All immovable property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other available premises, municipal valuations and assessments and various other factors. In the case of the REIT, such risk is heightened by the concentration of properties in one geographical area.

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The REIT's income and Distributable Income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including but not limited to the level of economic activity generally and the competition for tenants by other properties. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If the REIT is unable to meet hypothecary payments on any property, loss could be sustained as a result of the hypothecary creditor's exercise of its hypothecary recourses.

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

The REIT is subject to the risks associated with debt financing, including the risk that existing hypothecary indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the REIT will attempt to appropriately structure the timing of the renewal of significant tenant leases on the respective Properties in relation to the time at which hypothecary indebtedness on such Properties becomes due for refinancing.

Certain of the leases of the Properties have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the Portfolio which could be affected and operating revenues derived therefrom are not significant.

## **Competition**

The REIT competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by the REIT. Many of those investors will have greater financial resources than those of the REIT, or operate without the investment or operating restrictions of the REIT or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them.

In addition, numerous other developers, managers and owners of properties compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the REIT's tenants could have an adverse effect on the REIT's ability to lease space in its properties and on the rents charged, and could adversely affect the REIT's revenues and, consequently, its ability to meet its debt obligations.

## **Availability of Cash Flow**

Distributable Income may exceed actual cash available to the REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

## Government Regulation

The REIT and the Portfolio are subject to various governmental legislation and regulation. Any change in such legislation or regulation adverse to the REIT and the Portfolio could affect the operating and financial performance of the REIT.

In addition, environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Notwithstanding the above, the REIT is not aware of any material non-compliance, liability or other claim in connection with any of the Properties, nor is the REIT aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditure by the REIT. It is the REIT's operating policy to obtain a Phase I environmental assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property.

## Unitholder Liability

The Contract of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "**annuitant**") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees. Only assets of the REIT are intended to be liable and subject to levy or execution.

The Contract of Trust further provides that certain written instruments signed by the REIT (including all immovable hypothecs and mortgages and, to the extent the Trustees determine to be practicable and consistent with their obligation as Trustees to act in the best interests of the Unitholders, other written instruments creating a material obligation of the REIT) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon Unitholders personally or upon any annuitant. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Québec to Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting its affairs, the REIT will be acquiring immovable property investments, including its interest in the Portfolio, subject to existing contractual obligations, including obligations under hypothecs or mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the REIT may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the REIT, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the REIT where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Quebec for contract claims where the liability is not so disavowed, is remote.

The REIT will use all reasonable efforts to obtain acknowledgments from the hypothecary creditors under the Assumed Hypothecs that the Assumed Hypothec obligations will not be binding personally upon the Trustees, the Unitholders or any annuitant.

Claims against the REIT may arise other than under contracts, including claims in delict, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of Unitholders for such claims is considered remote under the laws of Québec and, as well, the nature of the REIT's activities will be such that most of its obligations will arise by contract, with non-contractual risks being largely insurable. In the event that payment of a REIT obligation were to be made by a Unitholder, such Unitholder would be entitled to reimbursement from the available assets of the REIT.

Article 1322 of the *Civil Code of Québec* effectively states that the beneficiary of a trust is liable towards third persons for the damage caused by the fault of the trustees of such trust in carrying out their duties only up to the amount of the benefit such beneficiary has derived from the act of such trustees and that such obligations are to be satisfied from the trust patrimony. Accordingly, although this provision remains to be interpreted by the courts, it should provide additional protection to Unitholders with respect to such obligations.

The Trustees will cause the activities of the REIT to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their duty to act in the best interests of the

Unitholders, any material risk of liability on the Unitholders for claims against the REIT. The Trustees will, to the extent available on terms which they determine to be practicable, cause the insurance carried by the REIT, to the extent applicable, to cover the Unitholders and annuitants as additional insureds.

### **Dependence on Key Personnel**

The management of the REIT depends on the services of certain key personnel, including Mr. Jules Dallaire. The loss of the services of any of these key personnel could have a material adverse effect on the REIT.

### **Potential Conflicts of Interest**

The REIT may be subject to various conflicts of interest because of the fact that the Dallaire Group and their respective directors, officers and associates, as well as the Trustees, are engaged in a wide range of real estate and other business activities. The REIT may become involved in transactions which conflict with the interests of the foregoing.

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

Any decisions regarding the enforcement by the REIT of the terms of any agreement entered into by the REIT with a Trustee who is not an Independent Trustee, with the Dallaire Group or an affiliate thereof, or with an associate of a non-Independent Trustee may be made by a majority of the Independent Trustees only. The non-Independent Trustees may attempt to influence the Independent Trustees in this regard.

The Contract of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. See "Management of the REIT — Conflict of Interest Restrictions and Provisions". The REIT concluded a Non-Competition Agreement with the corporation and partnerships comprising the Dallaire Group and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire, which permits to resolve certain potential conflicts of interest. See "Non-Competition Agreement".

### **General Uninsured Losses**

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

### **Status For Tax Purposes and Investment Eligibility**

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. Although the REIT intends to qualify as a "mutual fund trust" under the *Tax Act*, if the REIT fails or ceases to so qualify, the Units will not be qualified investments or will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. In addition, the REIT will then be required to pay a tax under Part XII.2 of the *Tax Act*. The payment of Part XII.2 tax by the REIT may have adverse income tax consequences for certain Unitholders including non-resident persons and registered retirement savings plans, registered retirement income tax funds and deferred profit sharing plans that acquired an interest in the REIT directly or indirectly from another Unitholder. If the REIT fails or ceases to qualify as a "mutual trust fund" and a "registered investment" under the *Tax Act*, the Units will not be or will cease to be

qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. The REIT will endeavour to ensure that the Units constitute and continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. The *Tax Act* imposes penalties for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time.

### **Dilution**

The number of Units the REIT is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances, including under the Unit Option Plan. Additional Units may also be issued pursuant to the Distribution Reinvestment Plan or the Rights Plan. Any issuance of Units may have a dilutive effect on the purchasers of Units offered hereby.

### **ADDITIONAL INFORMATION**

When the securities of the REIT are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the REIT will provide to any person, upon request to the Secretary of the REIT the following;

- (i) one copy of the Annual information Form (the “**AIF**”), together with one copy of any document, or the pertinent pages of any document incorporated by reference in the AIF;
- (ii) one copy of the comparative financial statement for the most recently completed financial year, together with the accompanying report of the auditor, and one copy of any interim financial statements subsequent to the financial statements for its most recently completed financial year;
- (iii) one copy of the information circular in respect of the most recent annual meeting of securityholders that involved the election of Trustees; and
- (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above.

Additional information, including Trustees’ and officers’ remuneration and indebtedness, principal holders of the REIT’s securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the REIT’s Management Information Circular for its most recent annual general meeting of Unitholders that involves the election of Trustees See pages 5, 6, 7, 10, 11 and 12 of the Management Information Circular of the REIT dated March 15, 2000. Additional financial information is provided in the REIT’s consolidated financial statements for the most recently completed financial year. See pages 8 and 9, and 14 through 28 of the REIT’s 1999 annual report. Copies of this Annual Information Form, the consolidated financial statements for the most recently completed financial year, the REIT’s interim consolidated financial statements and the Management Information Circular of the REIT dated March 15, 2000 may be obtained, upon, request, from the Secretary of the REIT.

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