

**COMINAR REAL ESTATE INVESTMENT TRUST**

**RENEWAL ANNUAL INFORMATION FORM**

**For the year ended December 31, 2003**

**May 17, 2004**

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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"** 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.

**"BCA"** means the Canada Business Corporation Act, as amended.

**"Cominar"** means Cominar Real Estate Investment Trust and the corporation wholly owned by the REIT.

**"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 on May 8, 1998 and May 13, 2003.

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

**"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 Quebec City Area"** means the City of Québec and the City of Lévis.

**"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".

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

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

**"Non-Competition Agreement"** means the non-competition agreement dated May 21, 1998 among 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 requires otherwise, collectively, as at March 31, 2004, the 112 office, retail, industrial and mixed-use properties owned by the REIT, and **"Property"** means any one of them.

**"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 the Cominar Real Estate Investment Trust and the corporation wholly owned 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.

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

**"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 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".

**"Unrelated Trustee"** has the corresponding meaning given to the term "unrelated director" in the TSX guidelines.

## EXPLANATORY NOTES

Unless otherwise noted, in this Annual Information form, measures of leasable area 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, 2003.

### THE REIT

Cominar Real Estate Investment Trust (the "**REIT**" or "**Cominar**") 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, when it purchased from the Dallaire Group under the Purchase Agreements the Properties and 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 Quebec City Area, comprising 8 offices buildings 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**").

On May 21, 1998, the REIT acquired a 100 % ownership interest in the Initial Properties including a 100 % ownership interest in the lands on which the said 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 Properties were transferred on the closing of the Initial Properties 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 May 21, 1998 and March 31, 2002, the REIT acquired a 100 % ownership interest in 56 new properties and extended other properties for a total leasable area of 4,622,374 square feet. From March 31, 2003 to March 31, 2004, the REIT added 7 buildings to its portfolio and extended 4 properties for a total of 385,859 square feet.

In April 2003, the REIT completed the acquisition of an industrial and mixed-use property of 66,185 square feet, located on 1405-1475, 55e Avenue, in Montreal, at a cost of \$4.1 million.

The REIT completed also the construction of a retail property of 3,090 square feet, located on 3333, du Carrefour Street in Quebec, at a cost of \$650,000.

In August 2003, the REIT acquired a retail property of 65,000 square feet, located on 2137, Curé Labelle Boulevard, in Laval, at a cost of \$9.1 million.

Cominar completed the construction of a retail property of 30,352 square feet, located on 800, Claude-Juras Boulevard, in Longueuil. The cost amounted at \$2.6 million.

In December 2003, the REIT completed the construction of an industrial and mixed-use property of 16,114 square feet, located on 3424-3428, Francis-Hugues Street, at a cost of \$828,000.

In January 2004, Cominar completed the expansion of a 33,000 square foot industrial and mixed-use property located on 1675, Montarville Boulevard, in Longueuil (Boucherville) at a cost of \$1.3 million and the construction of an industrial and mixed-use property of 28,708 square feet, located on 975, Ducharme Avenue, in Quebec (Vanier), at a cost of \$1.5 million.

In March 2004, Cominar completed the expansion of 3 industrial and mixed-used properties:

- A 25,786 square foot property located on 2181-2211, Léon-Harmel Street, at a cost of \$1.2 million.
- A 30,600 square foot property located on 796-818, Guimond Boulevard, in Longueuil, at a cost of \$1.3 million.
- A 34,907 square foot property located on 445, St-Jean-Baptiste, in Quebec, at a cost of 1.7 million.

In March 2004, Cominar completed the construction of an industrial and mixed-use property of a 22,146 square feet located on 1775, Léon-Harmel Street, in Quebec, at a cost of \$650,000.

As at March 31, 2004, the REIT's portfolio was comprised of 112 office, retail and mixed-use properties, aggregating approximately 8.1 million square feet of leasable space, an increase of approximately 5.0 %, compared to the portfolio owned on March 31, 2003, or approximately 163.0 % 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. It has approximately 95 employees.

Acquisitions are subject to specific investment guidelines and the operation of the REIT is governed by specific operating policies. See "Investment Guidelines and Operating Policies".

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

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

## **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 growing tax-deferred cash distributions payable monthly and (ii) to increase and maximize unit value through proactive management, including the acquisition of income properties and the development and extension of various properties in its portfolio, with the participation of a reliable and experienced team.

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 Quebec 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 other 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 Group's conservative approach to its borrowing policies and in general 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, 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 Quebec City Area, 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.

## **THE MARKET**

The REIT has a dominant presence in the Greater Quebec City Area by virtue of the size of the portfolio, the concentration and diversity of the 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 will be to maintain its dominant position as well as to capitalize on other real estate investment opportunities.

The REIT owns actually 112 income properties in the greater Quebec City Area, totaling 8.1 million of square feet.

Since 1999, when we acquired the first property in the Greater Montreal Area, this region has been developed with the quality of service and management that has proven successful in terms of client satisfaction in Quebec City. It is for this reason that, as soon that we penetrated the Montreal market, we opened a regional office and set up a team committed to meeting client's needs. As at March 31, 2004, the REIT portfolio included 32 Montreal-area properties covering 2.5 million square feet and accounting for some 31 % of total portfolio.

The actual economic conditions in the province of Quebec favors the real estate market. The price of buildings has increased significantly and the demand for leaseable spaces remain high particularly in the sectors of industrial and mixed-use buildings and offices located in the outskirts of the down found areas.

The REIT also believes that there is significant growth potential for cash flows and value appreciation from other properties located in this market. But, we believe a real estate manager must be extremely conservative when purchasing properties in a bullish market, and ensure that an acquisition will remain profitable even in a more difficult economy.

## **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 and 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 are aligned with those of Unitholders and improved operating and financial performance for the REIT will result. 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 is 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 fulfill 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 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 include comprehensive and proprietary tenant information for each Property in the Portfolio competing within the Greater Quebec City Area real estate market; and

- development and redevelopment expertise and capability of Management and employees, 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.

In 2003, the retail sector made the greatest contribution to net operating income with 35.5 %, compared with 37.0 % in 2002, whereas the contribution by office buildings rose from 29.6 % in 2002 to 31.6 % in 2003. For its part, the industrial and mixed-use sector remained quite stable, with a contribution of some 32.9 % over the past two fiscal years.

<b>Information by Sector</b>	<u>Rental revenues</u>		<u>Net operating income</u>	
	2003 (\$000)	2002 (\$000)	2003 (\$000)	2002 (\$000)
Office	30,914	26,218	18,362	16,931
Retail	35,637	31,887	20,641	18,754
Industrial/mixed-use	30,026	23,820	19,082	14,989
<b>Total</b>	<b>96,577</b>	<b>81,925</b>	<b>58,085</b>	<b>50,674</b>

## 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 normally 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. As indicated below, the paragraphs viii) and ix), sub-paragraph c) has been amended at the Annual and Special Meeting of the holders of Units of Cominar held on May 13, 2003.

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

- i) the REIT must 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 may 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 may 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 may not invest in operating businesses or other specialty Immovable Property or acquire interests in general partnerships or limited partnerships;
- viii) the REIT may, with the prior approval of the Trustees, invest in raw-land to be held as capital property for development and ownership for other development projects, in any such case, for the purpose of (i) renovating or expanding existing facilities that are capital property of the Trust or (ii) developing new facilities which will be income producing and constitute capital property of the Trust, provided that the aggregate value of the investments of the Trust in raw-land will not exceed 2% of the Adjusted Unitholders' Equity;

- 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 1.2 debt service coverage;
  - c) the Immovable Hypothec or mortgage is a first-ranking Immovable Hypothec or mortgage or of subsequent rank registered on title to the Immovable Property which is security therefor;
  - 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 such 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 shall 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 shall 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 shall prohibit 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) 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 acknowledgment 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 Associates 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 limitations 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, 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 of which the bonds, debentures or other evidences of indebtedness which it issues or guarantees 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) 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 owned by the REIT with joint venturers;
- vi) 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);
- vii) 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;
- viii) 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 owned 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;
- ix) the REIT shall obtain an independent appraisal of each property that it intends to acquire;
- x) 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

- xi) 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 that a Phase II environmental audit be conducted, the REIT shall have a Phase II environmental audit conducted, in each case by an independent and experienced environmental consultant; such audit, which constitutes 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 shall 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 shall 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), (vi), (vii), (viii), (ix), (x) and (xi) 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, 2004, the Portfolio of the REIT consisted of 112 office, retail, industrial and mixed-use properties located in the Greater Quebec City Area and in the Greater Montreal area. The Portfolio consists of 1,683,231 square feet of office space, 2,200,361 square feet of retail space and 4,198,300 square feet of industrial and mixed-use space of representing, in the aggregate, approximately 8,081,892 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, 2004 by asset class and the lease renewals concluded in 2003:

<u>Property Type</u>	<u>Number of Properties</u> <sup>1)</sup>	<u>Area</u>		
		<u>Area (square feet)</u>	<u>%</u>	<u>% Leased</u>
Office Properties <sup>2)</sup>	12	1,683,231	20.8	93.1
Retail Properties <sup>3)4)</sup>	25	2,200,361	27.2	96.1
Industrial and Mixed-Use Properties <sup>5)</sup>	75	4,198,300	52.0	94.9
Total Portfolio	112	8,081,892	100.0	94.8

Notes:

- 1) Place de la Cité has been included in the Retail Properties category.
- 2) Includes 469,842 square feet of office space at Place de la Cité.
- 3) Includes the properties being developed which are not included in the calculation of the occupancy rate and the weighted average net rent.
- 4) Includes 368,163 square feet of retail space and a health and recreational centre at Place de la Cité.

**RENEWALS FOR 2003**

	<u>Office</u>	<u>Retail</u>	<u>Industrial and Mixed-Use</u>	<u>TOTAL</u>
<b>EXPIRED LEASES</b>				
Number of tenants	66	119	137	322
Area (square feet)	182,558	241,954	973,267	1,397,779
Average net rent/square foot	8.74	8.58	4.77	5.95
<b>RENEWED LEASES</b>				
Number of tenants	50	91	101	242
Area (square feet)	140,686	154,251	774,087	1,069,024
Average net rent/square foot	8.48	10.64	5.00	6.27

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

	<u>Office <sup>2)</sup></u>	<u>Retail <sup>3)</sup></u>	<u>Industrial and Mixed Use</u>	<u>Total</u>
<b>Lease Maturities <sup>1)</sup></b>				
<b>Number of Tenants</b>				
2004 .....	82	111	115	308
2005 .....	68	70	86	224
2006 .....	55	105	62	222
2007 .....	39	82	68	189
2008 .....	54	86	77	217
<b>Area</b>				
(per square foot)				
2004 .....	371,865	266,677	770,769	1,409,311
2005 .....	378,732	174,951	352,642	906,325
2006 .....	143,408	339,943	499,814	983,165
2007 .....	97,974	213,904	624,331	936,209
2008 .....	211,333	265,665	474,225	951,223
<b>Weighted Average Net Rent</b>				
(per square foot)				
2004 .....	\$9.94	\$10.09	\$4.40	\$6.94
2005 .....	\$7.67	\$ 9.60	\$5.19	\$7.08
2006 .....	\$8.63	\$ 8.76	\$5.39	\$7.03
2007 .....	\$9.16	\$10.90	\$5.89	\$7.38
2008 .....	\$9.18	\$ 9.38	\$5.13	\$7.22

Notes:

- 1) Information given for the twelve months ending December 31<sup>st</sup> 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, 2003 was 43.7 % of the Gross Book Value. The weighted average interest rate pursuant to the Hypothecs is approximately 6.31 % per annum and the weighted average term to maturity of the Hypothecs was approximately 4.35 years.

The following table summarizes the Immovable Hypothecs on the REIT's properties:

Properties	Balance as at December 31, 2003	Interest Rate	Maturity Date
<b>Hypothecs – fixed rate</b>			
Place de la Cité — 2600, boul. Laurier, Sainte-Foy .....	\$93,551,231	6.15 %	April 2008
<b>Office buildings</b>			
3175, chemin des Quatre-Bourgeois, Sainte-Foy.....	\$5,526,114	6.46 %	September 2006
455, rue Marais, Vanier .....	\$2,758,786	6.46 %	September 2006
4605-25-35, 1 <sup>re</sup> Avenue, Charlesbourg.....	\$1,227,788	6.46 %	September 2006
5075, boul. Wilfrid-Hamel Ouest, Québec.....	\$1,127,096	7.13 %	July 2004
5055, boul. Wilfrid-Hamel Ouest, Québec.....	\$896,060	7.97 %	May 2005
2014, rue Jean-Talon Nord, Sainte-Foy.....	\$1,728,085	7.97 %	May 2005
150, boul. René-Lévesque Est, Québec.....	\$11,289,162	5.79 %	November 2006
8500, boul. Décarie, Montréal .....	\$21,628,773	7.04 %	May 2007
979, avenue de Bourgogne, Sainte-Foy.....	\$2,591,812	5.68 %	January 2008
1265, boul. Charest Ouest, Québec .....	\$6,441,600	6.00 %	January 2008
<b>Sub-total</b>	<b>\$55,215,276</b>		
<b>Commercial buildings</b>			
1400, avenue Saint-Jean-Baptiste, Québec.....	\$3,164,490	6.46 %	September 2006
2160, boul. de la Rive-Sud, Saint-Romuald.....	\$1,699,686	6.46 %	September 2006
355, rue Marais, Vanier .....	\$1,723,852	7.13 %	July 2004
550, rue Marais, Vanier .....	\$770,367	5.00 %	May 2004
325, rue Marais, Vanier .....	\$3,381,429	7.13 %	July 2004
1479-81-83-85, boul. St-Bruno, St-Bruno-de-Montarville.....	\$13,807,734	6.94 %	January 2019
1285-1297, boul. Charest Ouest, Québec.....	\$1,932,480	6.00 %	January 2008
1275, boul. Charest Ouest, Québec .....	\$2,361,920	6.00 %	January 2008
2101-2137, boul. Curé-Labelle, Laval.....	\$6,109,977	6.85 %	December 2012
<b>Sub-total</b>	<b>\$34,951,934</b>		
<b>Industrial and mixed-use buildings</b>			
2022, rue Lavoisier, Sainte-Foy.....	\$1,605,733	6.46 %	Septembere 2006
4975, rue Rideau, Québec.....	\$822,175	7.13 %	July 2004
2160, rue Jean-Talon Nord, Sainte-Foy.....	\$861,856	7.13 %	July 2004
1515, avenue Saint-Jean Baptiste, Québec.....	\$1,524,887	7.13 %	July 2004
1730-90, avenue Newton, Québec.....	\$1,445,587	6.46 %	September 2006
2345-2349, avenue Dalton, Sainte-Foy.....	\$896,819	6.46 %	September 2006
2385, avenue Watt, Sainte-Foy.....	\$1,445,587	6.46 %	September 2006
625, rue des Canetons, Québec.....	\$693,941	7.13 %	July 2004
625, avenue Godin, Vanier.....	\$1,582,245	6.46 %	September 2006
454-456, rue Marconi, Sainte-Foy.....	\$247,557	7.13 %	July 2004
2180, rue Jean-Talon Nord, Sainte-Foy.....	\$424,384	7.13 %	July 2004
650, avenue Godin, Vanier .....	\$3,116,188	7.13 %	July 2004
8288, boul. Pie-IX, Montréal.....	\$1,235,734	11.00 %	September 2007
1475, 32 <sup>e</sup> Avenue, Lachine.....	\$3,435,520	6.00 %	January 2008
2025, rue Lavoisier, Sainte-Foy.....	\$768,098	7.97 %	May 2005
2020, rue Jean-Talon Nord, Sainte-Foy.....	\$640,028	7.97 %	May 2005

<b>Properties</b>	<b>Balance as at December 31, 2003</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
2181-2211, rue Léon-Harmel, Québec .....	\$896,060	7.97 %	May 2005
445, avenue Saint-Jean-Baptiste, Québec.....	\$1,536,088	7.97 %	May 2005
500, avenue Saint-Jean-Baptiste, Québec.....	\$1,280,055	7.97 %	May 2005
1415, 32 <sup>e</sup> Avenue, Lachine .....	\$2,176,115	7.97 %	May 2005
1455, 32 <sup>e</sup> Avenue, Lachine .....	\$896,168	7.97 %	May 2005
10550, boul. Parkway, Anjou .....	\$2,400,533	9.13 %	January 2012
2105, boul. Dagenais Ouest, Laval .....	\$4,579,091	6.79 %	May 2014
1075, des Basses-Terres, Québec .....	\$1,717,760	6.00 %	January 2008
235, rue Fortin, Vanier.....	\$1,073,600	6.00 %	January 2008
9101-9175, boul. des Sciences, Anjou.....	\$2,141,292	7.19 %	March 2006
1041, boul. Pierre-Bertrand, Vanier .....	\$2,937,387	5.68 %	January 2008
1315, rue Gay Lussac, Boucherville.....	\$1,209,512	5.68 %	January 2008
40, chemin Tremblay, Boucherville .....	\$2,764,600	5.68 %	January 2008
2325, de la Province, Boucherville.....	\$1,209,512	5.68 %	January 2008
901-937, rue Michelin, Laval .....	\$1,036,725	5.68 %	January 2008
3370-3418, boul. Industriel, Laval .....	\$1,727,875	5.68 %	January 2008
3401-3421, boul. Industriel, Laval .....	\$1,555,087	5.68 %	January 2008
1405-1453, rue Bergar Laval.....	\$1,036,726	5.68 %	January 2008
894-930, rue Bergar, Laval.....	\$1,209,513	5.68 %	January 2008
5250, rue Armand-Frappier, St-Hubert .....	\$2,336,378	5.99 %	November 2007
1405-1475, 55 <sup>e</sup> Avenue, Dorval .....	\$2,514,069	6.84 %	July 2007
1165, rue Gouin, Québec .....	\$1,503,040	6.00 %	January 2008
280, rue Racine, Loretteville .....	\$858,880	6.00 %	January 2008
1675, boul. Montarville, Longueuil.....	\$2,147,200	6.00 %	January 2008
<b>Sub-Total</b>	<b>\$63,489,605</b>		
 <b>Hypothecs-floating interest rate</b>			
<i>Office building</i>			
50, route du Président-Kennedy, Lévis.....	7,560,000	4.50 %	March 2007
<b>Sub-total</b>	<b>7,560,000</b>		
 <i>Industrial and mixed-use properties</i>			
955, avenue Saint-Jean-Baptiste, Québec.....	\$798,131	3.75 %	July 2007
2100, rue Jean-Talon Nord, Sainte-Foy.....	\$661,627	3.75 %	July 2007
2700, rue Jean-Perrin, Québec.....	\$3,196,349	3.75 %	July 2007
1540, rue Jean-Talon Nord, Sainte-Foy.....	\$661,627	3.75 %	July 2007
450, avenue St-Jean-Baptiste, Québec.....	\$1,098,247	3.75 %	July 2007
1670, rue Semple, Québec .....	\$1,855,394	3.75 %	July 2007
2500, rue Jean-Perrin, Québec.....	\$1,834,983	3.75 %	July 2007
2600, rue Jean-Perrin, Québec.....	\$1,343,825	3.75 %	July 2007
9100, boul. du Parcours, Anjou .....	\$4,496,481	3.75 %	July 2007
<b>Sub-total</b>	<b>\$15,946,664</b>		
 <b>Total</b>	 <b>\$270,714,710</b>		

The following table summarizes the debt maturities of the Hypothecs as at December 31, 2003:

<b>Debt Maturities</b>	<b>Debt Maturities <sup>1)</sup></b>			
	<b>Office</b>	<b>Retail</b>	<b>Industrial and Mixed Use</b>	<b>Total</b>
2004.....	\$1,127,096	\$5,875,648	\$7,690,989	\$14 693 733
2005.....	\$2,624,145	---	\$8,192,612	\$10 816 757
2006.....	\$20,801,849	\$4,864,176	\$9,117,264	\$34 783 289
2007.....	\$29,188,773	---	\$22,032,845	\$51 221 618
2008.....	\$55,809,028	\$51,070,016	\$25,422,935	\$132 301 979
After 2008.....	-0-	\$19,917,710	\$6,979,624	\$26 897 334
Weighted Average Interest Rate on Hypothecs.....	6.24 %	6.40 %	6.17 %	6.31 %
Weighted Average Term to Maturity on Hypothecs.....	3.58 years	6.04 years	3.58 years	4.32 years

Note:  
(1) The Place de la Cité loan was allocated by management of Cominar, based on the value of Place de la Cité, as follows: \$46,775,616 for the office properties and \$46,775,616 for the retail properties.

## SUMMARY OF THE PROPERTIES

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

Properties	Year built/ renovated	Leasable Area (square feet)	% Leased	Selected Tenants <sup>2)</sup>
<b>Office Properties</b>				
Place de la Cité, 2600, boul. Laurier Sainte-Foy	1964/1970/ 1982/1988/ 1993	469,842	97.80	Financière Banque Nationale, Valeurs Mobilières Desjardins, Régie des rentes du Québec, La Great West Compagnie d'Assurance-Vie, Société canadienne d'hypothèques et de logement, Institut national de la recherche scientifique (Université du Québec), Garantie compagnie d'assurance, Gestion M.D., Air Transat, La Financière Manuvie, Aon, Microsoft Canada, Motorola Canada
150, boul. René-Lévesque Est Québec	1973/1999	234,962	100.00	Société Immobilière du Québec, Cantel, Vidéotron, Télécom 9, Fujitsu Conseil, une banque à charte canadienne, Ernst & Young, Telus Communications (Québec)
3175, chemin des Quatre-Bourgeois Sainte-Foy	1990	100,065	78.13	Travaux Publics Canada, Re/Max, Société Immobilière du Québec, SSA Global Technologies Canada
979, avenue de Bourgogne Sainte-Foy	1976/1988/ 1996	65,287	98.58	Travaux Publics Canada, Société du crédit agricole, Office des personnes handicapées du Québec, Lumbermen's Underwriting Alliance, Association Paritaire pour la Santé et la Sécurité du Travail-secteur minier.
2014, rue Jean-Talon Nord Sainte-Foy	1979/1997	60,885	89.17	Association canadienne des automobilistes (Québec), Innovmetric Logiciels, G.E.S. Technologies
455, rue Marais Vanier	1977/1997	60,809	89.74	L'Industrielle- Alliance, Compagnie d'Assurance sur la vie, Cominar, Normex Telecom, Corporation des services d'ambulances du Québec, Association professionnelle des ingénieurs du Québec, Moore North America, Telus Communications (Québec)
4605-25-35, 1(re) Avenue Charlesbourg	1979/1993	40,644	85.52	L'Industrielle-Alliance, Compagnie d'assurance sur la vie, une banque à charte canadienne, Associates Capital, Corporation of Canada, Subway (restaurant)
2200, rue Jean-Talon Nord Sainte-Foy	1965/1986/ 1996	30,485	100.00	Telus Communications (Québec), Société d'Assurance Automobile du Québec
5075, boul. Wilfrid-Hamel Ouest Québec	1980/1994	28,215	100.00	Au Vieux Duluth (restaurant), Fédération Indépendante des Syndicats autonomes
5055, boul. Wilfrid-Hamel Ouest Québec	1979/1996	27,498	100.00	Matériaux Blanchet, Laforge Barbeau, avocats, Société Immobilière du Québec, Québécoir Express, Comité paritaire des agents de sécurité.
8500, boul. Décarie Montréal	2001	175,060	100.00	Ericsson Canada
1265, boul. Charest Ouest Québec	1975/2002	140,328	97.70	Esri Canada, La Société Immobilière du Québec, Médias Transcontinental, Dorion, Noël et Hallissey

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
255, boul. Crémazie Est Montréal	1967	249,151	74.54	La Société immobilière du Québec, Communauté urbaine de Montréal, Pétrie Raymond LLP, Consultants 3LM., Banque Laurentienne du Canada, Groupe Aecon, Ordre professionnel des travailleurs sociaux du Québec
<b>Sub-total (offices)</b>		<b>1,683,231</b>	<b>93.11</b>	
<b>Commercial buildings</b>				
Place de la Cité 2600, boul. Laurier Sainte-Foy	1964/1970/ 1982/1998/ 1993	368,163	97.16	Ameublements Léon Ltée, Caisse Populaire Desjardins, Trust Général du Canada, une banque à charte canadienne, Roots, New Look, Parfumerie Dans un Jardin, Uniprix (pharmacie), Restaurant Le Beaugarte, Club Entrain (centre sportif et récréatif), Association canadienne des automobilistes (Québec), Valeurs mobilières Desjardins, La Compagnie de Fiducie Household du Canada, Disnat Investments
Carrefour Charlesbourg 8500, boul. Henri-Bourassa Charlesbourg	1976/1988/ 1995/1996	266,077	97.05	Métro, Pharmacie Brunet, Sports Experts, Radio Shack, une banque à charte canadienne, Caisse populaire Desjardins, L'Industrielle-Alliance compagnie d'assurance sur la vie, Énergie Cardio, Yellow, Dollarama, Rossy
Halles Fleur de Lys 245, rue Soumande Vanier	1978/1984/ 1994	91,219	93.42	Marché Plus, Société des Alcools du Québec, Restaurant Pacini, Caisse populaire Desjardins
325, rue Marais Vanier	1991	77,933	94.97	Toshiba, Restaurant Tomas Tam, Kit à Tout (magasin de meubles), Re/Max, Travaux Publics Canada, Centre de courtage Assep
1400, avenue Saint-Jean-Baptiste Québec	1979/1995	104,249	86.98	Meubles Zip International Ltée, Mega Fitness Gym, Société de l'assurance automobile du Québec, Banque Nationale du Canada, BPR Bechtel
2160, boul. de la Rive-Sud Saint-Romuald	1971/1978/ 1996	72,261	100.00	Métro, Caisse populaire Desjardins, Vidéo Éclair
355, rue Marais Vanier	1990	37,365	93.68	Schneider Canada Inc., Maître Piscinier, Duro Vitres d'Auto, Trans Canada Crédit
550, rue Marais Vanier	1995	16,849	100.00	J.B. Lefebvre Ltée, Play It Again Sports
5, Place Orléans Beauport	1978/1985	5,792	100.00	une banque à charte canadienne
329, rue Seigneuriale Beauport	1992/1997	3,792	100.00	Lebeau Vitres d'Auto
239-245, boul. Samson Laval	1991	40,533	100.00	Mode le Grenier, Cantel, Jean-Coutu, Société des Alcools du Québec, Superclub Vidéotron
1367-1371, chemin Sainte-Foy Québec	1950/1983	5,491	100.00	Immeubles Couche-Tard Inc.
2195, boul. de la Rive-Sud Saint-Romuald	1977/1985	6,225	100.00	une banque à charte canadienne

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
1970, avenue Chauveau Québec	1970/1983	2,400	100.00	Provi-Soir Inc.
1479-1481-1483-1485, boul, Saint- Bruno, Saint-Bruno-de-Montarville	1997	12,971	100.00	Pennington, Yellow
1465, boul. Saint-Bruno Saint-Bruno-de-Montarville	1997	26,093	100.00	Bureau en gros
1475, boul. Saint-Bruno Saint-Bruno-de-Montarville	1997	129,638	100.00	Wal-Mart
1495, boul. Saint-Bruno Saint-Bruno-de-Montarville	1997	34,808	100.00	Cinéplex Odéon
Les Promenades Beauport 3333, rue du Carrefour Beauport	1978/2002	468,731	95.93	Dooly's, Super C, Zellers, Jean-Coutu, Dollarama, Yellow, Banque Laurentienne du Canada, Parfumerie dans un Jardin, Énergie Cardio, Winners, Radio Shack, Cantel, Coq Rôti, Travaux publics
3319, rue du Carrefour Beauport	2003	3,090	100.00	Tim Horton
1295, boul. Charest Ouest Québec	1982	49,280	72.44	Boîteau Luminaire Inc.
Place Lévis 50, route du Président-Kennedy, Lévis	1970/1995	219,071	96.40	Maxi, Superclub Vidéotron, Cage aux Sports, Nautilus Plus, Valeurs Immobilières Desjardins, Piscines Trévi, Rossy, Simon Maranda, SNC Lavalin
1275, boul. Charest Ouest Québec	1975/2002	63,249	100.00	Informatique SMI, Meubles Croteau, Société Immobilière du Québec
800, boul. Claude-Jutras Longueuil	2003	30,352	100.00	Déco Découvertes
2101-2137, boul. Curé-Labelle Laval	2003	64,729	100.00	Trans Canada Crédit, Sobeys, Familiprix
<b>Sub-total (commercial buildings)</b>		<b>2,200,361</b>	<b>96.10</b>	
<b><i>Industrial and mixed-use properties</i></b>				
1990, rue Jean-Talon Nord Sainte-Foy	1976/1977/ 1995/1996	89,419	87.09	Charactera, Refac (Westburne), Active, RJR McDonald, Rothmans Benson & Hedges, Ascenseurs Thyssen
320, chemin de la Canardière Québec	1980/1993	12,819	96.08	Centre hospitalier Robert-Giffard
1515, avenue Saint-Jean-Baptiste Québec	1979/1989	61,923	92.64	Barnabé Meubles (1983), Delta, Fixatech.
2022, rue Lavoisier Sainte-Foy	1978	58,836	100.00	Crobel, Otis Canada, RBA, La Société Radio- Canada, Essilor Canada, Tried
100, rue Chabot Vanier	1968/1986	107,000	100.00	Ameublements Léon
235, rue Fortin	1996	26,006	100.00	Hostess Frito-Lay

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
Vanier 2160, rue Jean-Talon Nord Sainte-Foy	1965/1981/ 1994	45,160	73.95	Meubles Jacques Gaulin, Opération Enfant Soleil, SSI 2000, Société Radio-Canada
4975, rue Rideau Québec	1990	32,807	100.00	Black and Decker Canada, Omron Canada
2020, rue Jean-Talon Nord Sainte-Foy	1968	41,133	100.00	Quilles Univers
1075, rue des Basses-Terres Québec	1995	48,025	100.00	Entreprises Industrielles Westburne
280, rue Racine Loretteville	1984/1986	18,801	100.00	une banque à charte canadienne, Société canadienne des postes
2025, rue Lavoisier Sainte-Foy	1978/1983/ 1990	37,124	100.00	Telav, General Motors du Canada, Entourage, Solutions Technologies
2100, boul. Jean-Talon Nord Sainte-Foy	1962/1975/ 1995	31,419	100.00	Bagel Tradition'l, Sico
2150, rue Jean-Talon Nord Sainte-Foy	1970/1985/ 1994	22,560	100.00	Canon du Canada
2955, rue Kepler Sainte-Foy	1978	14,960	100.00	Expertise Transport Québec
4175, boul. Sainte-Anne Beauport	1974/1977/ 1985/1988	39,245	100.00	Trudel et Piché Beauport
2180, rue Jean-Talon Nord Sainte-Foy	1969/1984/ 1997	20,032	100.00	Mobilier International, Ash Temple (Servident), Méta 4
5125, rue Rideau Québec	1987/1997	11,575	100.00	Canpar Transport
454-456, rue Marconi Sainte-Foy	1984	15,592	100.00	Axion Sonorisation Éclairage
5000, rue Rideau Québec	1995	2,475	100.00	Travaux publics Canada
1730-1790, avenue Newton Québec	1987	62,925	100.00	Unisource, Ascenseurs Drolet Kone
1165, rue Gouin Québec	1941/1978 1993	71,577	100.00	Produits Capitale, Asystel, Étiquettes Berco, MS2 Contrôle
2006-2010, rue Lavoisier Sainte-Foy	1976	68,235	100.00	United Auto Part
830, avenue Godin Vanier	1978/1994	49,055	100.00	Iron Mountain (Archivex), P.E. Fraser, Association canadienne des Automobilistes
955, boul. Pierre-Bertrand Vanier	1995	47,489	100.00	Restaurant La Casa Grecque, Palace Cabaret, Groupe PMT/Roy
2345-2349, avenue Dalton Sainte-Foy	1973/1981	54,110	100.00	Polycritec, Palmar Automotive, Bétonel
2383-2393, avenue Watt Sainte-Foy	1973/1981	67,092	100.00	Pâtisserie Dumas, Distribution Silpro, Andlauer Transportation, Radiateur Montréal
625, rue des Canetons Québec	1989	19,981	100.00	United Parcel Service du Canada

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
955, avenue Saint-Jean-Baptiste Québec	1978/1991	33,034	100.00	Klockner Moeller, Location Brossard
5130, rue Rideau Québec	1988	24,402	100.00	Gojet, Toromont, Enertrak, Geyco
2755, avenue Dalton Sainte-Foy	1971/1989	23,880	85.13	Quincaillerie Richelieu, Institut national de la recherche scientifique
905, avenue Ducharme Vanier	1972/1991	19,239	100.00	Machinage Usitech, Centre Hydraulique GMB, Pompage G. Bernier
989, boul. Pierre-Bertrand Vanier	1974/1994	38,440	68.55	Location Pelletier, Dolbec Transport (1993), Nova Sol Québec
2015, rue Lavoisier Sainte-Foy	1974	2,134	100.00	Modulaire Plus
650, avenue Godin Vanier	1967/1975 1977	196,624	100.00	Société Immobilière du Québec, LPA Médical
625, avenue Godin Vanier	1989/1990	60,415	93.15	Messagerie Dynamique une division de Communications Québecor, Scelco, Viking Chains
579, avenue Godin Vanier	1981/1999	12,337	100.00	Boc Gaz Canada
2700, rue Jean-Perrin Québec	1987/1998	128,258	96.84	Société Canadienne des Postes, Télémaq 24, Entourage Solutions Technologique, Graphiscan, Cantel, Fondation Mira
2181-2211, rue Léon-Harmel Québec	1974	70,370	56.65	Groupe SPL, Beauvais et Verret, Produits Forestiers CJP
1540, rue Jean-Talon Nord Sainte-Foy	2000	9,425	100.00	Marco Caravane
445, avenue Saint-Jean-Baptiste Québec	1986	90,983	77.76	Sani Métal, Gentec Electro-optique, Arrow Electronics Canada, Moteurs Électriques Laval, ABF Freight Systems Canada
500, avenue Saint-Jean-Baptiste Québec	1987	86,958	95.87	Fiso Technologies, EBQM, Banque à charte canadienne, Gecko Électronique
5275, boul. Wilfrid-Hamel Québec	1981	30,071	100.00	Acousti-Plus
1670, rue Semple Québec	1972/2000	89,154	91.45	Société Immobilière du Québec, Metler-Toledo, Société d'assurance automobile du Québec
2500, rue Jean-Perrin Québec	1998	75,231	77.64	Datamark, Primerica, Patterson, Proludik
2600, rue Jean-Perrin Québec	2001	48,814	100.00	Société Immobilière du Québec, Maburco Québec plomberie, chauffage, KMG Distribution
470, avenue Godin Vanier	1980	22,920	100.00	Provigo
765, avenue Godin Vanier	1976/1989	15,350	100.00	Tyco International of Canada
8288, boul. Pie-IX Montréal	1989	119,522	100.00	Belron Canada

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
1415, 32 <sup>e</sup> Avenue Lachine	1989/1993	71,503	100.00	C.A.C. Transport
1455, 32 <sup>e</sup> Avenue Lachine	1989	32,500	100.00	Univar Canada
1475, 32 <sup>e</sup> Avenue Lachine	1988	91,690	97.32	Wood Wyant
3300, J.B. Deschamps Lachine	1989	19,393	100.00	Paquette White
9101, boul. des Sciences Anjou	1999/2000	71,727	91.08	Hibbert Wholesales (1998), Viandes Décarie, Maison de Distribution Colac
1050, avenue Ducharme Vanier	2003	38,815	100.00	Prévention Tério, Amalcorp, Centre d'estimation de la capitale
9100, boulevard du Parcours Anjou	1998/2000	122,602	100.00	Ventrol Air Handling Systems
10550, boulevard Parkway Anjou	1964/1972	110,000,	100.00	Équipement de sécurité Arkon
2105, boulevard Dagenais Ouest Laval	1999/2003	274,700	100.00	Gusdorf Canada
1041, boulevard Pierre-Bertrand Vanier	1963/2002	118,611	100.00	Sears Canada, Dolbec Transport Messagerie Beaupar
620-650, rue Giffard Longueuil	1980	53,161	72.50	Groupe Master, Multiservice – Lacoupeil, Palmar
667-687, rue Giffard Longueuil	1980	42,173	12.88	Construction Michel Gagnon.
796-818, rue Guimond Longueuil	1988	80,370	81.90	Boiron Canada, Technologie Clemex, Polygo
40, chemin du Tremblay Boucherville	1991	100,805	100.00	Ikea Wholesale
1315, rue Gay-Lussac Boucherville	1991	43,693	100.00	Produits Paklab
1675, boul. de Montarville Longueuil	1989	142,264	100.00	Groupe Master
894-930, rue Bergar Laval	1989	33,134	100.00	Boc Canada, Electrical Cable Supply, Aero Chem
901-937, rue Michelin Laval	1988	42,430	100.00	Megalab
1405-1453, rue Bergar Laval	1988	32,480	100.00	Imprimerie VDL, Tasfilm, Attaches Richard
3370-3418, boul. Industriel Laval	1986	55,331	100.00	Surplec, Franklyn Supply, Rexel Canada Électrique (Westburne)
3401-3421, boul. Industriel Laval	1986	53,422	100.00	Produits Hydrauliques R.G, ATM Pro
5250, rue Armand-Frappier	1992	59,460	100.00	Hydro-Québec

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>2)</sup></b>
St-Hubert 3424-3428, Francis-Hugues Laval	2003	16,114	100.00	Trane Québec, Éclairage Vertex
1405-1455-1495, 55e Avenue Dorval	2001	66,185	100.00	Intermove Canada, International Paint, division of Akzono, Total Logistics Partner (Ocean consolidators)
1775, Léon-Harmel Québec	2004	22,093	100.00	Westburne – Wolseley Canada
975, avenue Ducharme Vanier	2004	28,708	100.00	Dolbec Transport
<b>Sub-total (industrial and mixed use)</b>		<b>4,198,300</b>	<b>94.83</b>	
<b>TOTAL PORTFOLIO</b>		<b>8,081,892</b>	<b>95.40</b>	

Notes:

- (1) These figures are as at March 31, 2004 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 the parking lot 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, Quebec***

Place de la Cité in Sainte-Foy, Québec is an 838,005 square foot fully-integrated multi-functional office and retail complex built between 1964 and 1988, comprising 469,842 square feet of Class "A" office space and 368,163 square feet of retail space, including a 46,718 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 Quebec 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 Quebec City Area. The following table sets forth the major office tenants for Place de la Cité:

<u>Tenants</u>	<u>Leasable Area (square feet)</u>
Régie des rentes du Québec .....	202,475
Institut national de la recherche scientifique (Université du Québec) .....	26,398
Aon Canada Inc.....	26,143
La Great West, Compagnie d'Assurance-Vie .....	14,942
Financière Banque Nationale inc. ....	13,886
Malenfant Dallaire SENC .....	12,615
Produits Forestiers Portbec Ltée .....	11,602
Trust Banque Nationale (le).....	10,044
Société canadienne d'hypothèques et de logement.....	9,272
Banque Laurentienne du Canada .....	8,261
Autres locataires.....	134,204
<b>Total.....</b>	<b>469,842</b>

In addition to the tenants listed above, other prominent office tenants are Manuvie Financial, Laberge Lafleur AEMG, TD Waterhouse, Régime de Retraite de l'Université du Québec, Gestion M.D, Zurich Canada, Bureau des Passeports, Bureau de la sécurité des transports du Canada, Lombard Canada, Microsoft et La Garantie cie d'assurance.

## RETAIL

Place de la Cité is the central property in the highest concentration of retail shopping in the Greater Quebec 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>Tenants</u>	<u>Leasable Area (square feet)</u>
Club Entrain .....	46,718
Ameublements Léon Ltée .....	35,454
Caisse populaire Desjardins .....	17,154
Automobile & Touring Club du Québec	8,483
Banque Nationale du Canada .....	7,932
Banque Laurentienne du Canada .....	6,536
Valeurs Mobilières Desjardins Inc.....	5,991
Disnat Courtier à escompte Inc .....	4,394
Autres locataires (103 locataires).....	235,501
<b>Total.....</b>	<b>368,163</b>

In addition to the tenants listed above, prominent retail tenants also include Restaurant Le Beaugarte, Roots, La Cache, Dans un Jardin, New Look, Uniprix (pharmacy), Household Finance Corporation, Toronto Dominion Bank, Gosselin Photo Vidéo and Telus.

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, Quebec City, Quebec***

A 20-storey, 234,962 square foot office tower situated on 36,344 square feet of land. It was built in 1973 and renovated in 1998-1999. It is 100% leased and has 300 indoor parking spaces. Major tenants include Société Immobilière du Québec, Cantel, Videotron, Télécom 9, Ernst & Young, Telus Communications, Fujitsu Conseil and a Canadian chartered bank.

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

A 100,065 square foot office building situated on 76,122 square feet of land. Built in 1990, it is 78.13% leased and has 270 indoor and outdoor parking spaces. Major tenants include Public Works Canada, Re/Max Fortin Delage, Société Immobilière du Québec and SSA Global Technologies Canada.

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

A 65,287 square foot office building situated on 68,411 square feet of land. It was built in 1976, expanded in 1988 and renovated in 1996 at a total cost of \$480,000. The building is 98.58% leased and has 134 outdoor parking spaces. Major tenants include Société du crédit agricole (farmers' credit union), Public Works Canada, Office des personnes handicapées du Québec (handicapped persons' protection office), Lumbermen's Underwriting Alliance, Association paritaire pour la Santé et la Sécurité du Travail, -secteur minier.

##### ***2014, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 60,885 square foot office building situated on 75,650 square feet of land. It was built in 1979 and renovated in 1997 at a total cost of \$540,000. The building is 89.17% leased and includes 164 outdoor parking spaces. Major tenants include the Canadian Automobile Association (Québec), Innovmétric Logiciels Inc. and G.E.S. Technologies

##### ***455, rue Marais, Vanier, Quebec***

A 60,809 square foot office building situated on 110,437 square feet of land. It was built in 1977 and expanded in 1997. The building is 89.74% leased and includes 137 outdoor parking spaces. Major tenants include Industrial Alliance Life Insurance Company, Telus Communications (Québec) Inc., Association professionnelle des Ingénieurs du Québec, Normex Telecom, Corporation des services d'ambulance du Québec and Moore North America.

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

A 40,644 square foot office building situated on 53,198 square feet of land. It was built in 1979 and renovated in 1993 at a total cost of \$300,000. The building is 85.52% leased and has 170 parking spaces, 40 of which are indoors. Major tenants include Industrial Alliance Life Insurance Company, Associates Capital, Subway 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, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 30,485 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 100% leased and includes 77 outdoor parking spaces. The main tenants are Telus Communications (Québec) Inc. and Société d'Assurance Automobile du Québec.

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

A 28,215 square foot office building situated on 54,297 square feet of land. It was built in 1980 and renovated in 1994. The building is 100 % leased and has 141 outdoor parking spaces. Major tenants include Au Vieux Duluth (restaurant) and Fédération Indépendante des Syndicats autonomes.

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

A 27,498 square foot office building situated on 87,250 square feet of land. It was built in 1979 and renovated in 1996 at a total cost of \$300,000. The building is 100% leased and has 74 outdoor parking spaces. Major tenants include Matériaux Blanchet Inc., Société Immobilière du Québec, La Forge Barbeau, Attorneys, Québécois Express and Comité paritaire des agents de sécurité.

***8500, boulevard Décarie, Montreal, Quebec***

A 175,060 square foot office building situated on 177,752 square feet of land (4.1 acres) located on a site adjacent to boulevard Décarie, one of the Montreal's principal North-South arteries, built in 2001, the building houses eight floors of office space. The property is 100 % leased and has 270 indoor and 430 outdoor parking spaces.

***1265, boulevard Charest Ouest, Quebec City, Quebec***

A 140,328 square foot office building situated on 82,295 square feet of land. It was built in 1975 and renovated in 2002. The building houses 12 floors of office space. The property is 97.70 % leased and has 278 outdoor parking spaces. Major tenants include The Société Immobilière du Québec, Dorion, Noël & Hallissey, Esri Canada and Médias Transcontinental.

***255, boulevard Crémazie Est, Montreal, Quebec***

A 249,151 square foot office building situated on 49,766 square feet of land (1.1 acre) located on a site adjacent to Highway 40, Montreal's main east-west artery. Built in 1967 and renovated in 2002, the building houses 12 floors of office space and two floors of underground parking. The building is 74.54 % leased and major tenants include The Société Immobilière du Québec, Communauté urbaine de Montréal, Pétrie Raymond LLP, Consultants 3M, Groupe Aecon, Ordre professionnel des travailleurs sociaux du Québec and Banque Laurentienne du Canada.

**RETAIL PROPERTIES**

***Carrefour Charlesbourg - 8500, boulevard Henri-Bourassa, Charlesbourg, Quebec***

A 266,077 square foot retail complex, including 60,997 square feet of ancillary office space, situated on 854,253 square feet of land. It 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 expansions and renovations since 1995. It has 1,640 outdoor parking spaces. The building is 94.03 % leased. The retail space is 97.05% leased and the office space is 89.05% 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 Quebec City Area. Major retail tenants include Métro (grocery store), Pharmacie Brunet (pharmacy), Sports Experts, Radio Shack, Dollarama, Rossy, a Canadian chartered bank, the Caisse populaire Desjardins (Desjardins credit union), Énergie Cardio and Yellow. Major office tenants include the Industrial Alliance Life Insurance Company. The Property also includes four adjacent residential properties zoned for commercial use which Management

intends to use in the future to expand the parking lot on the Property.

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

An 91,219 square foot public market, including 28,932 square feet of ancillary office space, situated on 249,722 square feet of land. It was built in 1978, expanded in 1984 and renovated in 1994 at a total cost of \$345,000. The Property is 93.42% leased and has 525 outdoor parking spaces. It 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 and Caisse populaire Desjardins (Desjardins credit union).

***325, rue Marais, Vanier, Quebec***

A 77,933 square foot retail complex, including 38,373 square feet of ancillary office space, situated on 117,213 square feet of land. It was built in 1991. The building is 94.97% leased and includes 141 outdoor parking spaces. Major tenants include Toshiba, Re/Max, Restaurant Tomas Tam, Public Works Canada, Kit à Tout and Centre de courtage Assep.

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

A 104,249 square foot retail complex, including 39,744 square feet of ancillary office space, situated on 253,830 square feet of land. It was built in 1979 and renovated in 1995 at a total cost of \$270,000. The building is 86.98% leased and includes 297 outdoor parking spaces. Major tenants include Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian chartered bank, BPR Bechtel and the Société de l'Assurance Automobile du Québec.

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

A 72,261 square foot retail complex, situated on 142,806 square feet of land. It was built in 1971 and expanded in 1978 and 1996. The building is 100% leased and has 247 outdoor parking spaces. Major tenants include Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union) and Vidéo Éclair.

***355, rue Marais, Vanier, Quebec***

A 37,365 square foot retail building situated on 98,088 square feet of land. It was built in 1990. The building is 93.68% leased and has 119 outdoor parking spaces. Major tenants include Maître Piscinier, Schneider Canada Inc., Duro Vitres d'Auto and Trans Canada Crédit.

***550, rue Marais, Vanier, Quebec***

A 16,849 square foot retail building situated on 58,885 square feet of land. It was built in 1995. The building is 100% leased and has 60 outdoor parking spaces. Major tenants include J.B. Lefebvre Ltée and Play It Again Sports.

***329, Seigneuriale, Beauport, Quebec***

A 3,792 square foot retail building situated on 21,315 square feet of land. It was built in 1992 and expanded in 1997 at a total cost of \$60,000. The Property is 100% 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, Quebec***

A 5,792 square foot retail building situated on 15,577 square feet of land. It was built in 1978, expanded in 1985 and has 29 outdoor parking spaces. The Property is 100% 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.

***239-245, boulevard Samson, Laval, Quebec***

A 40,533 square foot retail building situated on 118,906 square feet of land. It was built in 1991. The building is 100 % leased and has 260 outdoor parking spaces. Major tenants include Mode le Grenier, Cantel, Groupe Jean Coutu, Société des Alcools and Superclub Vidéotron.

***1367-1371, chemin Sainte-Foy, Sainte-Foy, Quebec***

A 5,491 square foot retail building situated on 3,714 square feet of land. It was built in 1950 and renovated in 1983. The building is 100% 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, Quebec***

A 6,225 square foot retail building situated on 23,310 square feet of land. It was built in 1977 and expanded in 1985. The Property is 100% 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, Quebec***

A 2,400 square foot retail building situated on 45,246 square feet of land. It was built in 1970 and renovated in 1983. The building is 100% 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.

***1465-1495, boulevard Saint-Bruno, Saint-Bruno-de-Montarville, Quebec***

A 203,510 square foot power centre comprised of four retail properties situated on 1,034,167 square feet of land (23.7 acres). The Property is located in a high traffic retail area adjacent to Highway 30. The buildings were built in 1997. They are 100% leased to five tenants and have 1,600 parking spaces. Major tenants are Wal-Mart Canada, The Business Depot, Corporation Cineplex Odéon, Groupe Yellow and Reitmans Canada.

***1295, boulevard Charest Ouest, Quebec, Quebec***

A 49,280 square foot retail property situated on a 83,450 square feet of land (1.9 acres). Built in 1982, the building is 72.44% leased and has 78 parking spaces. Major tenant is Boiteau Luminaire Inc.

***Place Lévis - 50, route du Président-Kennedy***

A 219,071 square foot retail building situated on a 596,568 square feet of land (13.7 acres). The property is located on Route du Président-Kennedy, one of the principal arteries of Lévis. The largest municipality on the South shore of the greater Quebec City area. The building was built in 1970 and renovated in 1995, and has a large outside parking area for more than 1,000 parking spaces. The building is 96.40% leased and the major tenants are Provigo Distribution, Nautilus Plus, Cage aux sports, Super Club Vidéotron, Rossy, Valeurs Mobilières Desjardins, Piscines Trévi, Simon Maranda and SNC Lavalin.

***1275, boulevard Charest Ouest, Quebec, Quebec***

A 63,249 square foot retail building situated on 79,656 square feet of land, makes with two buildings located on 1265 and 1295 boulevard Charest, Québec, a retail and office complex of more 253,000 square feet. The building, builded in 1975 and

renovated in 2002, is 100% leased and has 101 outdoor parking spaces. Major tenants include Société Immobilière du Québec, Meubles Croteau and Informatique SMI.

***Les Promenades Beauport - 3333, rue du Carrefour, Beauport, Quebec***

A 468,731 square foot retail building situated on 1,498,365 square feet of land (34.4 acres). The property is located in a large retail area adjacent to Highway 40, Quebec City's main east-west artery. It was built in 1978 and renovated in 1990, in 2002 and expended on 189,054 square feet in 2002. The building is 95.71% leased to 88 tenants and has 2,985 parking spaces. Major tenants include Zellers, Métro-Richelieu, Dooly's, Groupe Jean Coutu, Energie Cardio, Goupe Yellow, Winners, Banque Laurentienne du Canada, Parfumeries dans un Jardin, Radio Shack, Cantel, Coq Rôti and Public Works Canada.

***3319, rue du Carrefour, Beauport (Quebec)***

A 3,090 square foot retail building situated on the land of Les Promenades Beauport shopping center. It was built in 2003. The building is 100 % leased to Tim Horton.

***800, Claude-Jutras, Longueuil (Quebec)***

A 30,352 square foot retail building build in 2003, situated on the land of power centre St-Bruno. The building is 100% leased to Home Outfitters.

***2101-2137, boulevard Curé-Labelle, Laval (Quebec)***

A 64,279 square foot retail complex, situated on 269,995 square feet of land, was built in 2003. The building is 100% and has 369 outdoor parkings. Major tenants include Sobey's, Familiprix inc. and Trans-Canada Credit.

**INDUSTRIAL AND MIXED USE PROPERTIES**

***1990, rue Jean-Talon Nord, Sainte-Foy, Quebec***

An 89,419 square foot mixed-use building situated on 184,177 square feet of land. It was built in 1976 and 1977 and renovated in 1995 and 1996 at a total cost of \$390,000. The building is 87.09% leased and has 196 outdoor parking spaces. Major tenants include Refac (Westburne), Caractera, Active Canada, RJR McDonald, Rothmans Benson & Hedges and Ascenseurs Thyssen.

***320, de la Canardière, Sainte-Foy, Quebec***

A 12,819 square foot mixed-use building situated on 13,638 square feet of land. It was built in 1980 and renovated in 1993. The building is 96.08% leased and includes 19 outdoor parking spaces. The biggest tenant is the Centre hospitalier Robert-Giffard.

***1515, St-Jean-Baptiste, Quebec City, Quebec***

A 61,923 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 92.64% leased and has 87 outdoor parking spaces. Major tenants include Barnabé Meubles (1983) inc., Delta and Fixatech.

***2022, Lavoisier, Sainte-Foy, Quebec***

A 58,836 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 100% leased and has 141 outdoor parking spaces. Major tenants include Crobrel, Otis Canada, Radio-Canada, Essilor Canada, Tried and RBA.

***100, Chabot, Vanier, Quebec***

A 107,000 square foot industrial building situated on 109,684 square feet of land. It was built in 1968 and expanded in 1986. The building is 100% leased to Leon's Furniture Ltd. and has 94 outdoor parking spaces.

***235, rue Fortin, Vanier, Quebec***

A 26,006 square foot industrial building, situated on 150,000 square feet of land. It was built in 1996. The building is 100 % leased to Hostess Frito-Lay and has 60 outdoor parking spaces.

***2160, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 45,160 square foot industrial building situated on 115,692 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1965, expanded in 1981 and renovated in 1994 at a total cost of \$220,000. The building is 73.95% leased and has 71 outdoor parking spaces. Major tenants include Meubles Jacques Gaulin, Opération Enfants Soleil, SSI 2000 and Société Radio-Canada.

***4975, Rideau, Quebec City, Quebec***

A 32,807 square foot industrial building situated on 106,598 square feet of land. It was built in 1990 and is used for offices, showrooms and warehousing. The building is 100% leased and has 64 outdoor parking spaces. Major tenants include Black & Decker Canada et Omron Canada.

***2020, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 41,133 square foot industrial building situated on 129,002 square feet of land. The building is used for a bowling alley. It was built in 1968. The Property is 100% leased to Quilles Univers and has 62 outdoor parking spaces.

***1075, rue des Basses-Terres, Quebec, Quebec***

A 48,025 square foot industrial building, situated on 186,194 square feet of land. It was built in 1995. The building is 100 % leased to Entreprises Industrielles Westburne Ltée and has 110 outdoor parking spaces.

***280, rue Racine, Loretteville, Quebec***

An 18,801 square foot mixed-use building situated on 36,512 square feet of land. It was built in 1984 and expanded in 1986. The building is 100% leased and has 60 outdoor parking spaces. Major 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, Quebec***

A 37,124 square foot industrial building situated on 93,815 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1978 and 1983 and renovated in 1990. The building is 100% leased and includes 72 outdoor parking spaces. Major tenants include Telav, Entourage Solutions Technologiques and General Motors of Canada.

***2100, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 31,419 square foot industrial building situated on 88,948 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1962, expanded in 1975 and renovated in 1995 at a total cost of \$240,000. The building is 100% leased and has 76 outdoor parking spaces. Major tenants include Bagel Tradition'l and Sico Inc.

***2150, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 22,560 square foot industrial building situated on 58,002 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1970, expanded in 1985 and renovated in 1994. A total of \$260,000 was spent on renovations. The Property is 100% leased. The major tenant is Canon of Canada and the property has 59 outdoor parking spaces.

***2955, Kepler, Sainte-Foy, Quebec***

A 14,960 square foot industrial building situated on 82,290 square feet of land. The building is used for offices and warehousing. It was built in 1978 and has 54 outdoor parking spaces. The Property is 100% 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, Quebec***

A 39,245 square foot industrial building situated on 96,342 square feet of land. The building is used for showrooms and warehousing. It was built in 1974 and expanded in 1977, 1985 and 1998. The building is 100% leased and includes 66 outdoor parking spaces. The major tenant is Trudel et Piché Beauport.

***2180, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 20,032 square foot industrial building situated on 50,382 square feet of land. It 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) and Meta 4 inc.

***5125, Rideau, Quebec City, Quebec***

An 11,575 square foot industrial building situated on 90,062 square feet of land. It was built in 1987, renovated in 1997 and includes 56 outdoor parking spaces. The Property is 100% leased to Canpar Transport.

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

A 15,592 square foot industrial building situated on 65,183 square feet of land. The building is used for offices and warehousing. It was built in 1984. The Property is 100% leased and has 58 outdoor parking spaces. The major tenant is Axion Sonorisation Éclairage.

***5000, Rideau, Quebec City, Quebec***

A 2,475 square foot industrial building situated on 46,395 square feet of land. It was built in 1995, has 36 outdoor parking spaces and is 100% leased 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.

***1730-90, Newton, Quebec City, Quebec***

A 62,925 square foot industrial building situated on 163,786 square feet of land. It was built in 1987 and is used for offices and warehousing. The building is 100% leased and has 65 outdoor parking spaces. Major tenants include Unisource and Ascenseurs Drolet Kone.

***1165, Gouin, Quebec City, Quebec***

A 71,577 square foot industrial building situated on 112,095 square feet of land. It was built in 1941 and renovated in 1978

and 1993. It is used for warehousing and workshops. The building is 100% leased and has 61 outdoor parking spaces. There is also municipal parking in close proximity. Major tenants include Produits Capitale, Asystel, Étiquettes Berco and MS2 Contrôle.

***2006-2010, Lavoisier, Sainte-Foy, Quebec***

A 68,235 square foot industrial building situated on 225,961 square feet of land. It was built in 1976 and is used as a warehousing facility. The Property is 100% leased to United Auto Parts and has 87 outdoor parking spaces.

***830, Godin, Vanier, Quebec***

A 49,055 square foot industrial building situated on 123,570 square feet of land. It was built in 1978 and renovated in 1994 at a total cost of \$180,000. It is used for warehousing and workshops. The building is 100% leased and has 61 outdoor parking spaces. Major tenants include Iron Mountain (archives), P.E. Fraser and the Canadian Automobile Association (Québec).

***2345-2349, Dalton, Sainte-Foy, Quebec***

A 54,110 square foot industrial building situated on 102,664 square feet of land. It was built in 1973 and renovated in 1981 at a total cost of \$190,000. It is used for warehousing and showrooms. The building is 100% leased and has 67 outdoor parking spaces. Major tenants include Polycritec, Palmar Automotive and Bétonel.

***2383-2393, Watt, Sainte-Foy, Quebec***

A 67,092 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 100% leased and has 67 outdoor parking spaces. Major tenants include Pâtisserie Dumas, Distribution Silpro, Andlauer Transportation and Radiateur Montréal.

***625, rue des Canetons, Quebec City, Quebec***

A 19,981 square foot industrial building situated on 178,624 square feet of land. It was built in 1989, has 64 outdoor parking spaces and is 100% leased to United Parcel Services Canada.

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

A 33,034 square foot industrial building situated on 197,925 square feet of land which is used for businesses, showrooms and warehousing. It was built in 1978 and renovated in 1991 and includes 65 outdoor parking spaces. The building is 100% leased. Major tenants include Klockner Moeller and Location Brossard.

***5130, Rideau, Quebec City, Quebec***

A 24,402 square foot industrial building situated on 89,781 square feet of land. It was built in 1988 and has 47 outdoor parking spaces. The building is 100% leased. Major tenants include Gojet, Toromont, Enertrak and Geyco.

***2755, Dalton, Sainte-Foy, Quebec***

A 23,880 square foot industrial building situated on 69,648 square feet of land. It is used for offices and warehousing. It was built in 1971 and renovated in 1989 and has 67 outdoor parking spaces. The building is 85.13% leased. Major tenants are Quincaillerie Richelieu and the Institut national de la recherche scientifique.

***905, Ducharme, Vanier, Quebec***

A 19,239 square foot industrial building situated on 50,000 square feet of land. It is used for warehousing and workshops. It was built in 1972 and renovated in 1991 and has 57 outdoor parking spaces. The building is 100% leased. Major tenants include

Centre Hydraulique GMB, Machinage Usitech and Pompage G. Bernier.

***955, boulevard Pierre-Bertrand, Quebec, Quebec***

A 47,489 square foot industrial building, situated on 227,341 square feet of land. It was built in 1995. The building is 100 % leased and has 225 outdoor and indoor parking spaces. Major tenants include the restaurant La Casa Grecque , The Palace Cabaret and Groupe PMT/Roy.

***989, boulevard Pierre-Bertrand, Vanier, Quebec***

A 38,440 square foot industrial building, situated on 68,524 square feet of land. It was built in 1974 and renovated in 1994. The building is 68.55 % leased and has 180 outdoor parking spaces. Major tenants include Location Pelletier, Dolbec Transport (1993) et Nova Sol Québec.

***2015, Lavoisier, Sainte-Foy, Quebec***

A 2,134 square foot industrial building situated on 15,539 square feet of land. It is used for offices and workshops. It was built in 1974, has 17 outdoor parking spaces and is 100% leased to Modulaire Plus.

***650, Godin, Vanier Quebec***

A 196,624 square foot industrial building situated on 334,215 square feet of land. It was built in 1967, expanded in 1975 and 1977 and renovated at the end of the 1980's. The building is used for offices, workshops and warehousing. The building is 100% leased and the major tenants are Société Immobilière du Québec and L.P.A. Medical.

***625, Godin, Vanier Quebec***

A 60,415 square foot industrial building situated on 131,200 square feet of land. This building was built in 1989 and 1990 and is used for warehousing and showrooms. It is 93.15% leased and has 103 outdoor parking spaces. Major tenants are Messageries Dynamiques, a division of Communications Québecor, Ingénierie Brock and Scelco.

***579, Godin, Vanier, Quebec***

A 12,337 square foot industrial building situated on 44,000 square feet of land. It was built in 1981 and renovated in 1999. The building is 100% leased to BOC Canada and has 25 outdoor parking spaces.

***2700, Jean-Perrin, Quebec City, Quebec***

A 128,258 square foot mixed-use building, including 28,425 square foot of office, situated on 327,528 square feet of land. It was built in 1987 and renovated in 1999. The building is 96.84% leased and has 325 outdoor parking spaces. Major tenants include Canada Post Corporation, Télémag 24, Entourage Solutions Technologiques, Graphiscan, Cantel et Fondation Mira.

***2181-2211, rue Léon-Harmel, Quebec City, Quebec***

A 70,370 square foot mixed-use building situated on 174,315 square feet of land. It was built in 1974 and expanded in 2003. This building is 56.65% leased and has 70 outdoor parking spaces. Major tenants include Groupe SPL, Beauvais et Verret and Produits Forestiers CJP.

***445, St-Jean-Baptiste, Quebec City, Quebec***

A 90,983 square foot industrial building, situated on 262,348 square feet of land. It was built in 1986 and expanded in 2003. The building is 77.76% leased and has 110 outdoor parking spaces. Major tenants include Sani Métal, Gentec Électro-optique, Arrow

Electronics Canada, ABF Freight Systems Canada and Moteurs Électriques Laval.

***500, St-Jean-Baptiste, Quebec City, Quebec***

A 86,958 square foot industrial building, situated on 262,997 square feet of land. It was built in 1987 and is used for office and warehouse. The building is 95.87% leased and has 120 outdoor parking spaces. Major tenants include FISO Technologies (Exfo-Ingénierie Electro-Optique), a Canadian chartered bank, E.B.Q.M. and Gecko Électronique.

***5275, boulevard Wilfrid-Hamel, Quebec City, Quebec***

A 30,071 square foot mixed-use building, including 8,999 square feet of office space (on the second floor), situated on 88,692 square feet of land. It was built in 1981. The building is 100% leased and has 78 outdoor parking spaces. Major tenants include Acousti-Plus and Whirlpool Canada.

***1670, rue Semple, Quebec City, Quebec***

A 89,154 square foot industrial and mixed-use building situated on 271,354 square feet of land (6.2 acres). The property is located in a major industrial park and is adjacent to a group of industrial and mixed-use properties owned by the REIT. It was built in 1972 and renovated in 2000. It is used for warehousing and offices. The warehouse has a 22 foot clear ceiling height. The building is 91.45% leased and has 225 parking spaces. Major tenants include the Société Immobilière du Québec, Metler-Toledo and Société de l'assurance automobile du Québec.

***1540, rue Jean-Talon Nord, Sainte-Foy, Quebec***

A 9,425 square foot industrial and mixed-use building situated on 100,003 square feet of land (2.3 acres). The property is located in the Greater Quebec City Area in a major industrial park and is adjacent to a group of industrial and mixed-use properties owned by the REIT. It was built in 2000 and is a build-to-suit for a single tenant for warehouse and office use. The warehouse has a 24 foot clear ceiling height. The building is 100% leased to Administration Marco and has 110 parking spaces.

***2500, Jean-Perrin, Quebec City, Quebec***

A 75,231 square foot industrial and mixed-use building situated on 155,666 square feet of land (3.6 acres). The property is located in a major industrial park adjacent to Highway 40, Québec City's main east-west artery. It was built in 1988 and is used for warehousing and offices. The warehouse has a 20 foot clear ceiling height. The building is 77.64% leased to 22 tenants and has 160 parking spaces. Major tenants are Datamark, Primerica, Patterson and Proludik.

***470, avenue Godin, Vanier, Quebec***

A 22,920 square foot industrial and mixed-use building situated on 49,967 square feet of land (1.1 acres). The property is located in an industrial park and is adjacent to a group of industrial and mixed-use properties owned by the REIT. It was built in 1980 and contains warehousing and office space. The warehouse has a 24 foot clear ceiling height. The building is 100% leased to Provigo and has 28 parking spaces.

***765, avenue Godin, Vanier, Quebec***

A 15,350 square foot industrial and mixed-use building situated on 54,914 square feet of land (1.3 acres). The property is located in an industrial park and is adjacent to a group of industrial and mixed-use properties owned by the REIT. It was built in 1976, expanded in 1989 and contains warehousing and office space. The warehouse has a 23 foot clear ceiling height. The building is 100% leased to Tyco International of Canada.

***8288, boulevard Pie-IX, Montreal, Quebec***

A 119,522 square foot industrial building, situated on 250,302 square feet of land. It was built in 1989 and is used for offices and warehousing. The building is 100% leased to Belron Canada. and has 133 outdoor parking spaces.

***1415, 32<sup>e</sup> Avenue, Lachine, Quebec***

A 71,503 square foot industrial building, situated on 119,388 square feet of land. It was built in 1989 and expanded in 1993. The building is 100% leased to CAC Division Transport and has 88 outdoor parking spaces.

***1455, 32<sup>e</sup> Avenue, Lachine, Quebec***

A 32,500 square foot industrial building, situated on 119,164 square feet of land. It was built in 1989 and is used for offices and warehousing. The building is 100% leased to Univar Canada and has 70 outdoor parking spaces.

***1475, 32<sup>e</sup> Avenue, Lachine, Quebec***

A 91,690 square foot industrial building, situated on 206,264 square feet of land. It was built in 1988 and is used for offices and warehousing. The building is 97.32% leased to Wood Wyant Inc. and has 96 outdoor parking spaces.

***3300, J.B. Deschamps, Lachine, Quebec***

A 19,393 square foot industrial building, situated on 118,456 square feet of land. It was built in 1989 and has 46 outdoor parking spaces. The building is 100% leased to Paquette White.

***9101, boulevard des Sciences, Anjou, Quebec***

A 71,727 square foot industrial and mixed-use building situated on 136,062 square foot of land was built in 2000. The building is 91.08% leased and has 63 outdoor parking spaces. Major tenants include Hibbert Wholesales (1988), Viandes Décarie and Maison de distribution Colac.

***9100, boul. du Parcours, Anjou, Quebec***

A 122,602 square foot industrial and mixed-use building situated on 351,633 square feet of land (8.1 acres). The property is located in a major industrial park and is in reasonable proximity to Highway 40, Montreal's main east-west artery. It was built in 1998 and expanded in 2000, and is used for warehousing and offices. The warehouse has a 23 foot clear ceiling height. The building is 100% leased to Ventrol Air Handling Systems and has 180 parking spaces.

***2600, Jean-Perrin, Quebec City, Quebec***

A 48,814 square foot industrial and mixed-use building situated on 197,375 square feet of land (4.5 acres). The property is located in a major industrial park adjacent to Highway 40, Quebec City's main east-west artery. Located between two properties already owned by the REIT, the property is in a geographically favourable location. The building contains warehousing and office space. The warehouse has a 22 foot clear ceiling height. The building is 100% leased and has 201 parking spaces. Major tenants are Société immobilière du Québec, Maburco Québec plomberie chauffage and KMG Distribution.

***10550, boulevard Parkway, Anjou, Quebec***

A 110,000 square foot industrial and mixed-use building situated on 177,247 square feet of land (4.1 acres). The property is located in a major industrial park and in reasonable proximity to highway 40, Montreal's principal east-west artery. The building was built in 1964 and renovated in 1972, and contains warehouse and office space. The warehouse has an 18 foot ceiling height. The building is 100% leased to Équipement de sécurité Arkon and has 170 parking spaces.

***2105, boulevard Dagenais, Laval, Quebec***

A 274,700 square foot industrial and mixed-use building situated on 585,550 square feet of land (13.4 acres). The property is located in a major industrial park in Laval and is on reasonable proximity to Autoroute 440 with easy access to Montreal International Airport-Dorval. The building was built in 1999 and expended of 31,700 square feet in 2003. It contains warehouse space and office space. The warehouse has a 18 foot clear ceiling height. The building is 100% leased to Gusdorf Canada and has 253 parking spaces.

***1041, boulevard Pierre-Bertrand, Vanier, Quebec***

A 118,611 square foot industrial and mixed-use building situated on 267,264 square feet of land (6.1 acres) located in a major industrial area. This location is in close proximity to Highway 40, Quebec's principal east-west artery. The building was built in 1963 and renovated in 2002 and is used for warehousing and offices. The warehouse has a 24 foot ceiling height. The building has 200 parking spaces. Major tenants include Sears Canada, Messagerie Beupar and Dolbec Transport.

***1050, Ducharme, Vanier, Quebec***

A 38,815 square foot industrial building, situated on 110,000 square feet of land. It was built in 2003. The building is 100 % leased and has 75 outdoor parking spaces. Major tenants include Prévention Térió, Amalcorp and Centre d'estimation de la Capitale

***620-650 rue Giffard, Longueuil, Quebec***

A 53,161 square foot industrial building, situated on 191,254 square feet of land. It was built in 1980. The building is 72.50 % leased and has 141 outdoor parking spaces. Major tenants include Groupe Master, Multiservice – Lacoupe and Palmar.

***667-687, rue Giffard, Longueuil, Quebec***

A 42,173 square foot industrial building, situated on 93,626 square feet of land. It was built in 1980. The building is 12.88 % leased and has 41 outdoor parking spaces. Major tenant is Construction Michel Gagnon.

***796-818, rue Guimond, Longueuil, Quebec***

A 80,370 square foot industrial building, situated on 234,457 square feet of land. It was built in 1988 and expanded in 2003. The building is 81.90 % leased and has 65 outdoor parking spaces. Major tenants include Boiron Canada, Technologie Clemex and Polygo.

***40, chemin du Tremblay, Boucherville, Quebec***

A 100,805 square foot industrial building, situated on 302,943 square feet of land. It was built in 1991. The building is 100 % leased to Ikea Wholesale and has 170 outdoor parking spaces.

***1315, rue Gay-Lussac, Boucherville, Quebec***

A 43,693 square foot industrial building, situated on 120,000 square feet of land. It was built in 1991. The building is 100 % leased to Produits Packlab and has 48 outdoor parking spaces.

***1675, boulevard de Montarville, Boucherville, Quebec***

A 142,264 square foot industrial building, situated on 300,100 square feet of land. It was built in 1989 and expanded in 2003. The building is 100 % leased to Groupe Master and has 90 outdoor parking spaces.

***894-930, rue Bergar, Laval, Quebec***

A 33,134 square foot industrial building, situated on 75,654 square feet of land. It was built in 1989. The building is 100 % leased and has 75 outdoor parking spaces. Major tenants include Boc Canada, Electrical Cable Supply and Aero Chem.

***901-937, rue Michelin, Laval, Quebec***

A 42,430 square foot industrial building, situated on 142,389 square feet of land. It was built in 1988. The building is 100 % leased and has 65 outdoor parking spaces. Major tenant is Megalab.

***1405-1453, rue Bergar, Laval, Quebec***

A 32,480 square foot industrial building, situated on 93,279 square feet of land. It was built in 1988. The building is 100 % leased and has 58 outdoor parking spaces. Major tenants include Imprimerie VDL, Tasfilm and Attaches Richard.

***3370-3418, boulevard Industriel, Laval, Quebec***

A 55,331 square foot industrial building, situated on 136,564 square feet of land. It was built in 1986. The building is 100 % leased and has 86 outdoor parking spaces. Major tenants include Surplec, Franklin Supply, Rexel Canada Électrique (Westburne).

***3401-3421, boulevard Industriel, Laval, Quebec***

A 53,422 square foot industrial building, situated on 139,807 square feet of land. It was built in 1986. The building is 100 % leased and has 82 outdoor parking spaces. Major tenants include Produits Hydrauliques R.G. and ATM Pro.

***5250, rue Armand Frappier, St-Hubert, Quebec***

A 59,460 square foot industrial building, situated on 325,014 square feet of land. It was built in 1992. The building is 100 % leased to Hydro-Québec and has 242 outdoor parking spaces.

***975, avenue Ducharme, Vanier, Quebec***

A 28,708 square foot industrial building situated on 128,963 square feet of land. It was built in 2004. The building is 100% leased to Dolbec Transport (1983) and has 33 outdoor parking spaces.

***1775, Léon-Harmel, Quebec, Quebec***

A 22,093 square foot industrial building situated on 63,773 square feet of land. It was built in 2004. The building is 100% leased to Westburne Wolseley and has 31 outdoor parking spaces.

***3424-3428, rue Francis-Hugues, Laval, Quebec***

A 16,114 square foot industrial building situated on 45,499 square feet of land. It was built in 2003. The building is 100% leased to Trane Québec and Éclairage Vertex and has 33 outdoor parking spaces.

***1405, 55e Avenue, Dorval, Quebec***

A 66,185 square foot industrial building situated on 119,111 square feet of land. It was built in 2001. The building is 100% leased and has 60 outdoor parking spaces. The major tenants include Intermove Canada (1992), International Paint division of Akzono and Total Logistick Partner (Ocean consolidators).

## 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 of 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 and which requires additional space which the REIT is unable to accommodate.

The restrictions in the Non-Competition Agreement only apply to properties situated in Canada.

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 apply 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 REIT) 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 REIT) 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 do not 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.

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 herein, 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 were 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 in partial payment of the consideration payable to the Dallaire Group for the Properties and Assets acquired under the Purchase Agreements. In July 2000, in February 2001 and in November 2001, the REIT completed three public offerings of 2,472,500 Units, 3,450,000 Units and 4,600,000 Units respectively. In November 2003, the REIT completed an other public offering of 5,000,000 units. The total number of Units issued as of March 22, 2004, taking account of Units issued in connection with the Distribution Reinvestment Plan and options exercised by Eligible Persons under the Unit Option Plan (see "Management of the REIT – Unit Option Plan") is 31,721,337. 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 are issued upon the terms and subject to the conditions of the Contract of Trust, which Contract of Trust is binding upon all Unitholders and, by accepting 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 as 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 "Contract of Trust and Description of Units – 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 as 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 *CBCA*.

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 "Management of the REIT – Unit Option Plan"), new Units may be issued for cash through public offerings, rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of Units, which rights may be exercised or sold to other investors) or 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 value of the consideration for which Units may be issued shall 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 other manner as he 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 shall 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 *CBCA*.

## 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 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 "Management of the REIT – 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; and
- 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, Corporation Financière Alpha (CFA) Inc., resulting from the first amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc., on behalf of AM Total Investments, general partnership, will be entitled to appoint four Trustees, 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 set up 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 will be 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.

In order to encourage participation in the Distribution Reinvestment Plan, the Trustees of the REIT amended it on March 27, 2001, so as to the Unitholders who participated in the Distribution Reinvestment Plan will be granted the right to receive an additional number of Units equal to 5 % of the distributions to which they are entitled and which they choose to reinvest.

Unitholders who reside 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 adopted a Unitholders rights plan (the "*Rights Plan*"). The Rights Plan will use the *authorized bid mechanism* (described below) to ensure that any person attempting to take over the REIT gives Unitholders and the Trustees adequate time to properly assess its take-over bid, negotiate with the person making the initial offer and solicit competitive offers. The objective of the Rights Plan is to protect Unitholders by requiring that potential offerors comply with conditions set forth in the provisions relating to authorized bids, or that they assume the consequences of the dilution of the Rights Plan. Generally, to be an authorized bid, a bid must be made to all Unitholders and be valid for 60 days. If more than 50 % of the Units held by independent Unitholders (defined below) are deposited or submitted in response to the bid and their deposit is not revoked, the bidder may take delivery and pay for such Units. The public take-over bid must then be extended for 10 additional days on the same terms to allow Unitholders who did not initially deposit their Units to do so if they wish. A Unitholder is not required to deposit his Units during the initial 60-day period since the bid must remain open for 10 additional days after the expiry of the initial term. The Rights Plan will likely make it impossible for any person, other than assignees with vested rights, to acquire more than 20 % of the outstanding Units without the approval of the Trustees, except under the authorized bid mechanism or certain other exemptions described below. Management is of the opinion that the Rights Plan, as a whole, will not constitute an unreasonable obstacle for a serious bidder wishing to make a good faith offer which is financially equitable to all Unitholders.

The terms of the Rights Plan have been designed to take account of concerns expressed by institutional investors with respect to certain provisions of such plans. The provisions of the Plan with respect to portfolio managers are intended to prevent the mechanism contained in the Plan from being triggered by the normal activities of such investors (see Unitholders Rights Plan – 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 Plan.

### TERM

The Rights Plan has been in full effect since May 21, 1998 (the "*Effective Date*"). The Rights Plan was amended, restated and reconfirmed at the annual general meeting of Unitholders of the REIT held on May 15, 2001 until the next annual meeting of Unitholders of the REIT held on May 14, 2002. The Rights Plan was reconfirmed at the annual general meeting of Unitholders held on May 14, 2002 until the third annual meeting of Unitholders of the REIT that will be held at the date determined in May 2005, subject to its reconfirmation by Unitholders at that meeting.

## **RIGHTS ISSUANCE**

On the Effective Date, one right (a "*Right*") was issued and attached to each outstanding Unit. One Right was also issued and attached to each subsequently issued Unit and will be issued and will attach to any subsequently issued Units. The initial exercise price of each Right is \$50.00 (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*") (i) that is ten trading days after the earlier of a) the date of the first public announcement by the REIT or an Acquiring Person (as hereinafter defined) of facts indicating that a person has become an Acquiring Person (the "*Unit Acquisition Date*"), (b) the date of the commencement of or first public announcement of the intent of any person to commence a take-over bid other than a Permitted Bid or a Competing Permitted Bid (as hereinafter defined) and (c) two days following the date upon which a Permitted Bid ceases to be such or (ii) such later date as may be determined by the Trustees acting in good faith.

## **ACQUIRING PERSON**

The acquisition by a person (an "*Acquiring Person*"), including others acting jointly or in concert, of 20 % or more of the outstanding Units of the REIT, other than by way of a Unit reduction, a permitted bid acquisition (see Unitholders Rights Plan – Permitted Bid Requirements below), an exempt acquisition, a permissible acquisition and certain other circumstances described in the Rights Plan (see "Unitholders Rights Plan – Portfolio Managers" below), is referred to as a "*Flip-in Event*". A person who is a Grandfathered Person (see "Unitholders Rights Plan – Grandfathered Person" below) will not be considered to be an Acquiring Person. A person who makes or proposes to make a take-over bid for Units of the REIT is not deemed to beneficially own Units deposited pursuant to a lock-up agreement that meets the criteria set out in the Rights Plan (see "Unitholders Rights Plan – Permitted Lock-up Agreement" below). Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the Unit Acquisition Date will become null and void upon the occurrence of a Flip-in Event. Effective at the close of business on the tenth trading day after the Unit Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase Units with a total market value of \$100 on payment of \$50 (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.

## **GRANDFATHERED PERSON**

A Grandfathered Person means a member of the Dallaire Group. However, such person will cease to be a Grandfathered Person if that person together with any one or more other members of the Dallaire Group is at the Record Time (as defined therein), or after the Record Time becomes, the Beneficial Owner (as defined therein) of 20 % or more of the outstanding Units, and the Beneficial Ownership (as defined in the Rights Plan) of that person, together with the Beneficial Ownership of any one or more other members of the Dallaire Group, thereafter increases, in the aggregate, by 2 % or more of the number of outstanding Units, calculated on the basis of the number of Units outstanding at the time of the most recent increase. Furthermore, each member of the Dallaire Group will cease to be a Grandfathered Person, as at the time, after the Record Time, on which the aggregate Beneficial Ownership of the Dallaire Group is less than 20 % of the then outstanding Units of the REIT.

## **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 (a "*Permitted Bid*") include the following:

- (i) the take-over bid must be made to all holders of Units (including Units underlying convertible securities), other than the bidder;
- (ii) 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 following the date of the bid and then only if at such time more than 50 % of the Units held by Unitholders, other than the offeror, its affiliates or Associates, 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
- (iii) 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 for the minimum deposit period, and must provide that no Units may be taken up and paid for prior to the close of business on a date that is not earlier than the later of (i) the 60th day after the date on which the earliest permitted bid which preceded the Competing Permitted Bid was made and (ii) 35 days following the date of the take-over bid constituting the Competing Permitted Bid.

## PERMITTED LOCK-UP AGREEMENT

A permitted lock-up agreement is defined in the Rights Plan as an agreement, the terms of which are publicly disclosed and made available to the public (including the REIT) not later than (i) the date on which the Lock-up Bid (as defined below) is publicly announced or (ii) if the Lock-up Bid has been made prior to the date on which such agreement is entered into, forthwith and in any event not later than the date following the date of such agreement, between the offeror, any of its affiliates or Associates or any other person acting jointly or in concert with the offeror and a person (the "*Locked-up Person*") who is not an affiliate or Associate of the offeror or a person acting jointly or in concert with the offeror whereby the Locked-up Person agrees to deposit or tender the Units and/or convertible securities held by the Locked-up Person to the offeror's take-over bid or to any take-over bid made by any of the offeror's affiliates or Associates or made by any other person acting jointly or in concert with the offeror (the "*Lock-up Bid*"), where the lock-up agreement provides that any Locked-up Person may withdraw his Units or convertible securities (or both) from the lock-up agreement in order to deposit or tender such securities to another take-over bid or to support another transaction (collectively, a "*Competing Transaction*") prior to the Units and/or convertible securities being taken up and paid for under the Lock-up Bid, if:

- (i) the Competing Transaction is at a price or value per Unit and/or convertible security, as the case may be, that exceeds the price or value per Unit and/or convertible security, as the case may be, offered under the Lock-up Bid; or
- (ii) the Competing Transaction is at a price or value per Unit and/or convertible security, as the case may be, that exceeds the price or value per Unit and/or convertible security, as the case may be, offered under the Lock-up Bid by a specified margin (the "*Specified Margin*"), provided that the Specified Margin is not greater than 7 % of the price or the value per Unit and/or convertible security, as the case may be, offered under the Lock-up Bid; or
- (iii) the Competing Transaction is for a number of Units and/or convertible securities, as the case may be, greater than the number of Units and/or convertible securities, as the case may be, subject to the Lock-up Bid at a price or value per Unit and/or convertible security, as the case may be, that is not less than the price or value per Unit and/or convertible security, as the case may be, offered under the Lock-up Bid; and

for greater clarity, a Lock-up Agreement may contain a right of first refusal or require a period of delay to give an offeror an opportunity to match any greater consideration offered under a Competing Transaction or a similar limitation on a Locked-up Person so long as the limitation does not preclude the exercise by the Locked-up Person of its rights to withdraw Units and/or convertible securities, as the case may be, under the Lock-up Agreement during the period of the Competing Transaction.

The lock-up agreement must also provide that no break-up fees, top-up fees, penalties, expenses or other amounts shall be payable pursuant to the lock-up agreement that exceed in the aggregate the greater of (i) 2.5 % of the price or value of the consideration payable under the Lock-up Bid to a Locked-up Person and (ii) 50 % of the amount by which the price or value of the consideration received by the Locked-up Person under a Competing Transaction exceeds the price or value or consideration that the Locked-up Person would have received under the Lock-up Bid, in the event that the Locked-up Person fails to deposit or tender its Units and/or convertible securities, as the case may be, to the Lock-up Bid, or withdraws its Units and/or convertible securities, as the case may be, previously tendered thereto in order to deposit or tender such Units and/or convertible securities, as the case may be, to the Competing Transaction.

#### **REDEMPTION**

The Trustees may, with the prior consent of the holders of Units or Rights, at any time prior to the occurrence of a Flip-in Event, determine to redeem all, but not less than all, of the outstanding Rights at a redemption price of \$0.001 per Right.

#### **WAIVER**

The Trustees may, at any time prior to the occurrence of a Flip-in Event, determine to waive the application of the Flip-in Event provisions to a take-over bid made by means of a take-over bid circular that would otherwise be subject to the said provisions. If the Trustees waive the application of the Flip-in Event provisions to a take-over bid, the Trustees are deemed to have waived the application of the Flip-in Event provisions to any other Flip-in Event occurring by reason of any competing take-over bid made by means of a take-over bid circular to all Unitholders of record prior to the expiry of the take-over bid for which the waiver was granted. The Trustees may also waive the application of the Flip-in Event provisions to a Flip-in Event where the Acquiring Person became such by inadvertence if, at the time of waiver, it is no longer an Acquiring Person. The Trustees may waive the application of the Flip-in Event provisions to any other Flip-in Event upon the prior consent of the holders of the Units or Rights, as the case may be.

#### **SUPPLEMENT AND AMENDMENTS**

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

#### **PORTFOLIO MANAGERS**

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.

#### **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, 2002 to December 31, 2002:

	Actual 12/31/2003	Actual 12/31/2002	Actual 12/31/2001
(in thousands of dollars, except amounts per unit)			
Rental from income properties.....	96,577	81,925	66,978
Net operating income.....	58,085	50,674	40,438
Net income.....	31,022	29,432	22,359
Basic net income per Unit.....	1.146	1.141	1.076
Diluted net income Unit.....	1.143	1.135	1.068
Distributable income per Unit.....	1.303	1.277	1.212
Distributions per Unit.....	1.152	1.107	1.086
Total assets.....	602,882	512,992	455,444
Mortgages payable.....	270,715	223,791	202,743
Weighted average number of Units.....	27,064	25,799	20,786

The following table summarizes certain financial information of the REIT for the three-month periods ending as indicated below:

	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003
(in thousands of dollars, except amounts per Unit)				
Rental from income properties.....	23,700	24,534	24,119	24,224
Net operating income.....	13,113	14,193	14,923	15,856
Net income.....	6,415	7,240	7,951	9,416
Net income per Unit.....	0.245	0.275	0.301	0.322
Weighted average number of Units.....	26,163	26,358	26,439	29,267

## 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<sup>th</sup> day in each calendar month (other than January) and on December 31 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.

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 or financing fees related to the instalment loan, 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 2003 AND 2004 DISTRIBUTIONS**

The distributions made by the REIT to Unitholders in 2003 were tax-deferred at 50.16 % by reason of the REIT's ability to claim capital cost allowance and certain other deductions. Management estimates that approximately 49% of the distributions made by the REIT in 2004 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" on the REIT's operating results and on the evolution of the financial situation for the period of twelve months ended on December 31, 2003 may be found at pages 10 through 17 of the REIT's 2003 annual report in the section entitled "Management's Discussion and Analysis" incorporated herein by reference.

### **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 is 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 making 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 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 *CBCA*. 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 *CBCA*, 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 meeting, 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 of each Trustees, the positions and offices within the REIT currently hold by them, their principal occupation, their employment during the last five years, the year they first became Trustees of the REIT and the approximate number of Units they have advised are beneficially owned, directly or indirectly, by them or over which they exercise control or direction as at March 22, 2004:

Name, Municipality of residence And office	Principal occupation	Year first became a Trustee	Number of Units beneficially owned or over which control or direction is exercised <sup>1)</sup>
<b>JULES DALLAIRE</b> Québec (arrondissement Charlesbourg) (Québec) AM Total Investments Trustee, President and Chief Executive Officer of the REIT	Chairman, President and Chief Executive Officer of the REIT	1998	329,600 <sup>6)</sup>
<b>MICHEL DALLAIRE, eng.</b> Québec (arrondissement Beauport) (Québec) AM Total Investments Trustee, President and Chief Operating Officer of the REIT	President and Chief Operating Officer	1998	6,864,109 <sup>7)</sup>
<b>MICHEL BERTHELOT, C.A.</b> Québec (arrondissement Laurentien) (Québec) AM Total Investments Trustee, Executive Vice-President and Chief Financial Officer of the REIT	Executive Vice-President and Chief Financial Officer of the REIT	1999	16,874
<b>Me MICHEL PAQUET</b> Québec (arrondissement Sainte-Foy-Sillery) (Québec) AM Total Investments Trustee, Executive Vice-President, Legal Affairs and Secretary of the REIT	Executive Vice-President, Legal Affairs and Secretary of the REIT	1998	11,447
<b>YVAN CARON</b> <sup>2)3)</sup> Québec (arrondissement Limoilou) (Québec) Independent Trustee	Consultant	1998 <sup>4)</sup>	Nil
<b>ROBERT DESPRES, O.C., G.O.Q.</b> <sup>2)</sup> Québec (arrondissement de la Cité) (Québec) Independent Trustee	Director of various companies	1998	16,500

<b>PIERRE GINGRAS</b> <sup>2) 3)</sup> Ste-Pétronille, Ile d'Orléans (Québec) Independent Trustee	President of Placements Moras inc., a personal holding company, director of Desjardins Sécurité Financière, a life assurance company and director of Reliure Sélect Inc., a thermoplastic-binding company	1998	74,099 <sup>8)</sup>
<b>GHISLAINE LABERGE</b> <sup>3)</sup> Montréal (arrondissement Verdun) (Québec) Independent Trustee	Consultant in real estate investments, director of CDP Capital – Real Estate Advisory and CDP Capital - Mortgages, members of the group of the Caisse de dépôt et placement du Québec	1998 <sup>4)</sup>	Nil
<b>RICHARD MARION</b> Montréal (arrondissement Dollard-des-Ormeaux – Roxboro) (Québec) Independent Trustee	President of Actigest inc., a personal holding company and Director of various companies	1998 <sup>5)</sup>	2,000

**NOTES :**

- (1) Individual Trustees have furnished information as to the Units beneficially owned by them or over which they exercise control or direction.
- (2) Member of the Audit Committee.
- (3) Member of Compensation and Governance Committee.
- (4) Will hold office as an Independent Trustee for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 2004.
- (5) Will hold office as an Independent Trustee for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 2005.
- (6) Comprises 41,600 Units held by Corporation Financière Alpha (CFA) Inc., a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc.
- (7) Comprises 41,600 Units held by Corporation Financière Alpha (CFA) Inc., a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc. and 6,807,400 Units held by AM Total Investments, general partnership (formerly known as Cominar, general partnership). The Units held by AM Total Investments, general partnership, are indirectly held by Michel Dallaire, Alain Dallaire, Sylvie Dallaire and Linda Dallaire, being the children of Jules Dallaire.
- (8) Comprises 13,099 Units held by Placements Moras inc.

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 the last five (5) years, except for Richard Marion who, from 1996 to April 2004, was President and General Manager of Société en commandite immobilière Solim, a specialized fund investing in real estate development.

The Management and Trustees of the REIT beneficially held collectively (13 people) or had control over 7,301,900 Units, representing approximately 23 % of the outstanding Units as of March 22, 2004.

**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 of 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 as long as the Dallaire Group owns at least 10 % of Units then outstanding).

The Trustees decided unanimously not to form an investment committee, 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 loans (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. 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 as long as the Dallaire Group owns at least ten per cent (10 %) of the Units then outstanding). The Audit Committee consists of three members, all of whom are Independent and Unrelated Trustees. The current members of this Committee are Robert Després (president), Yvan Caron and Pierre Gingras. The Audit Committee is responsible for the review of financial statements, accounting policies and reporting procedures of the REIT. This Committee is also responsible for reviewing the REIT's external audit plan, internal controls, accounting systems and financial reporting, and reviews the REIT's insurance coverage to ensure its adequacy.

The members of the Audit Committee are financially literate and are able to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto. The Audit Committee has a charter setting out the roles and responsibilities of its members. The Committee reviews policies and procedures for managing principal risks for the REIT, the whole according to the TSX guidelines for governance practices.

## 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 must be Independent Trustees. The Trustees have set up a Compensation and Governance Committee consisting of three (3) Trustees, namely Yvan Caron (President), Pierre Gingras and Ghislaine Laberge. The Committee is responsible for advising on the REIT's compensation programs (including compensation of officers and Trustees of the REIT, grants of options under the Unit Option Plan and eligibility for participants in the Employee Unit Purchase Plan of the REIT), for developing and monitoring the REIT's governance policies and practices the whole according to the TSX guidelines for governance practices.

## REMUNERATION OF TRUSTEES

A person who is employed by and receives salary from the REIT do not receive any remuneration from the REIT for serving as a Trustee. Trustees who are not so employed 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 addition, each Independent Trustee who is a member of the Audit Committee and the Compensation and Governance Committee receives \$500 for each meeting he attends. In all cases, Trustees are 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) a corporation controlled by an eligible person holding, directly or indirectly, 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.

Under the Unit Option Plan, the REIT has granted options to the Trustees and employees to purchase Units of the REIT. Options are granted by the Trustees. The maximum number of Units reserved for issuance pursuant to the Unit Option Plan is 2,045,699 Units. The options have a term not exceeding seven years, unless determined otherwise by resolution of Trustees, and in no event may the term of any option exceed ten years from the date of grant of the option. The options are exercisable at a price not less than the fair market value on the trading day immediately preceding the date of the grant of the option. The options shall become exercisable in respect of 20% on a cumulative basis after the first, second, third, fourth and fifth anniversary of the granting of such option.

The following provides summary information regarding options outstanding under the Unit Option Plan as of December 31, 2003:

	2003		2002	
	Options	Weighted-average exercise price \$	Options	Weighted-average exercise price \$
Outstanding, beginning of year	799,533	9.90	1,456,000	9.65
Exercised	(451,367)	8.66	(656,467)	9.34
Granted	2,710,000	14.00	---	---
Cancelled	(16,000)	11.00	---	---
Outstanding, end of year	3,042,166	13.58	799,533	9.90

Date of Grant	Maturity Date	Exercise Price \$	December 31, 2003	
			Outstanding Options	Options Exercisable
May 21, 1999	May 21, 2004	9.25	91,000	90,000
January 14, 2000	January 14, 2005	8.55	38,000	38,000
March 27, 2001	March 27, 2006	10.20	22,333	6,000
August 9, 2001	August 9, 2006	11.00	180,233	50,833
November 14, 2003	November 14, 2010	14.00	2,710,000	---
			<b>3,042,166</b>	<b>185,833</b>

## 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.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the REIT (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

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. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and reductions in, or suspensions of distributions may occur that would reduce yield based on 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 has 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 REIT 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.

The REIT may need to refinance its debt obligations from time to time, including upon expiration of its debt. There could be a negative impact on Distributable income if debt obligations of the REIT are replaced with debt that has less favourable terms or if the REIT is unable to refinance its debt. In addition, loan and credit agreements with respect to debt obligations of the REIT, include, and may include in the future, certain covenants with respect to the operations and financial condition of the REIT and Distributable income may be restricted if the REIT is unable to maintain such covenants.

## **GOVERNMENT REGULATION**

The REIT and its Properties are subject to various governmental legislation and regulation. Any change in such legislation or regulation adverse to the REIT and the Properties 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 or government agencies. 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 its 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 the 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 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, Chairman of the Board and CEO of the REIT and Michel Dallaire, President and Chief Operating Officer of the REIT. 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. The REIT concluded a Non-Competition Agreement with the corporations and partnerships comprising the Dallaire Group and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire, which permits certain potential conflicts of interest to be resolved.

#### **GENERAL UNINSURED LOSSES**

The REIT has purchased blanket comprehensive general liability insurance which includes protection against fire, flood, extended coverage and rental loss 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 wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. The REIT also carries insurance for earthquake risk, 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 it would continue to be obligated to repay any hypothecary loan 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 ceases to so qualify, the Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans. 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, deferred profit sharing plans and registered education savings plans that acquired an interest in the REIT directly or indirectly from another Unitholder. 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, registered retirement income funds and registered education savings plans. The Tax Act impose penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property. There is no assurance that the units will continue to meet the conditions prescribed for such qualified or eligible investments or that the Units will not be foreign property under the Tax Act.

#### **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 Unitholders 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 when 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 statements 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 Independent 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.

The REIT may ask for reasonable fees if the request is made at any other time by a person or company which is not a holder of REIT securities.

Additional information, including information on the principal Unitholders of the REIT, Trustees’ and officers’ remuneration, 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 Independent Trustees. (See pages 7, 8 and 9, 12 and 13 of the Management Information Circular of the REIT dated March 26, 2004. Additional financial information is provided in the REIT’s consolidated financial statements for the most recently completed financial year. (See pages 20 to 27 of the REIT’s 2003 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 26, 2004 may be obtained, upon, request from the Secretary of the REIT.