



## 2006 Annual Information Form

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**Cominar Real Estate Investment Trust**  
**Year ended December 31, 2006**

March 30, 2007

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**SCHEDULE "A"**

## 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.

**“Cominar”** means Cominar Real Estate Investment Trust and the corporation wholly-owned by the REIT.

**“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, May 13, 2003 and May 11, 2004.

**“Dallaire Family”** means the wife of the late Jules Dallaire, Michel Dallaire, Alain Dallaire, Linda Dallaire and Sylvie Dallaire and their spouses.

**“Dallaire Group”** means, collectively, “Corporation Financière Alpha (CFA) inc.”, previously known as “Immeubles Cominar inc.” and “AM Total Investments, General Partnership”, previously known as “Société en nom collectif Cominar”.

**“Debenture”** means a Series A 6.30% convertible unsecured subordinated debenture of the REIT.

**“Debentureholder”** means a holder of Debentures.

**“Distributable Income”** means the amount of cash available to be distributed by the REIT, calculated in the manner set forth under the heading “Computation of Distributable Income for Distribution Purposes”.

**“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.

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

**“Immovable Hypothec”** means a secured interest in an Immovable Property under the laws of the Province of Québec.

**“Immovable Property”** means Immovable Property under the laws of the Province of Québec or real property under other applicable law.

**“Income Tax Act”** the *Income Tax Act* (Canada), as amended from time to time.

**“Indenture”** the Trust indenture entered into as of September 17, 2004, between Cominar and Natcan Trust, as trustee, pursuant to which the Debentures were issued, as amended, supplemented or restated on December 21, 2005.

**“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 independent (as defined in the Corporate governance guidelines of the Canadian Securities Administrators) to the Dallaire Group; (iii) who is not a person who is not independent (as defined in the Income 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.

**“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 (who passed away on August 15, 2006), Michel Dallaire and Alain Dallaire.

**“Net Operating Income”** means the operating income before interest on borrowings, depreciation of income properties, amortization of deferred expenses and other assets, REIT’s administrative expenses, other revenues and unusual items.

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

**“Properties”** means, unless the context requires otherwise, collectively, as at December 31, 2006, the 139 office, retail, industrial and mixed-use properties owned by the REIT, and **“Property”** means any one of them.

**“REIT”** means Cominar Real Estate Investment Trust and the corporation wholly-owned by Cominar.

**“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 or the Distribution Reinvestment Plan, and includes a fraction of a unit of the REIT.

**“Unitholder”** means a holder of Units of the REIT.

**“Unit Option Plan”** means the unit option plan of the REIT described under “Management of the REIT — Unit Option Plan”.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains statements about expected future events and financial and operating results of Cominar that are forward-looking. By their nature, forward-looking statements require the REIT to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors may cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Factors that may cause actual results to differ materially include but are not limited to economic conditions, the financial position of tenants, the REIT's ability to refinance its debts upon maturity and to lease vacant space, as well as changes in interest rates and other risk factors discussed herein and listed from time to time in Cominar' reports, comprehensive public disclosure documents, and in other documents filed with securities commissions in Canada and filed on SEDAR at [www.sedar.com](http://www.sedar.com). For further information, see the "Risk Factors" section. The REIT has neither the intention nor the obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## 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.

### 1. DATE OF ANNUAL INFORMATION FORM

This Annual Information Form (the "AIF") is dated as of March 30, 2007. Unless otherwise noted, the information contained in this AIF is stated as at December 31, 2006.

### 2. CORPORATE STRUCTURE

Cominar Real Estate Investment Trust 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. Amendments to the Contract of Trust were made at various times to give the REIT greater flexibility in operating its portfolio, and in particular, to invest in raw lands, provided that the aggregate value of the investments of the REIT in raw land will not exceed 2% of the Adjusted Unitholders' Equity, and also invest in immovable hypothecs or mortgages which are not first-ranking.

The head office of the REIT is located at 455 du Marais, Quebec (Quebec) G1M 3A2, phone number (418) 681-8151. Its website can be found at [www.cominar.com](http://www.cominar.com).

Unless otherwise noted or the context otherwise indicates, references to the "REIT" or to "Cominar" in this AIF are to Cominar Real Estate Investment Trust. Reference to "SAC" is to Les Services Administratifs Cominar inc., a wholly-owned subsidiary of the REIT. SAC was incorporated under the CBCA on March 17, 1998.

### 3. GENERAL DEVELOPMENT OF THE BUSINESS

#### 3.1 OVERVIEW OF THE REIT

The REIT is one of the largest commercial property owners in the Province of Quebec. As at December 31, 2006, the REIT owned a diversified portfolio of 139 office, retail, industrial and mixed-use properties, of which 89 are located in the Greater Quebec City area and 50 are located in the Greater Montreal area.

The portfolio comprises approximately 2.4 million square feet of office space, 2.3 million square feet of retail space and 5.5 million square feet of industrial and mixed-use space, representing, in the aggregate, approximately 10.2 million square feet of leasable area. As at December 31, 2006, the REIT's portfolio was approximately 94.4% leased. The REIT's properties are mostly situated in prime locations along major traffic arteries and benefit from high-visibility and easy access by both tenants and tenants' customers.

The REIT's asset and property management is fully internalized and the REIT is a fully integrated, self-managed real estate investment operation. In this way, the REIT is not subject to any third party management contracts or property management fees, which the REIT believes reduce the potential for conflict between the interests of Management and the REIT. This fully internalized management structure ensures the interests of Management and employees are aligned with those of Unitholders and results in improved operating and financial performance for the REIT.

The REIT believes that a comprehensive and proactive management strategy intended to enhance the operating and financial performance of the REIT is the best way to achieve that objective.

For the fiscal year ended December 31, 2006, the REIT had operating revenues of \$131.7 million and net operating income of \$80.3 million compared to \$121.6 million and \$73.6 million, respectively, the previous year. The REIT's total assets at that date were \$790.2 million and it employed approximately 120 full-time people.

## **3.2 RETROSPECTIVE**

On May 21, 1998, the REIT acquired a portfolio composed of 51 properties in the greater Quebec City area. The portfolio consisted of 8 office properties, 13 retail properties and 30 industrial and mixed-use properties for a total leasable area of approximately 3.1 million square feet. Subsequently, between May 21, 1998 and December 31, 2006, the REIT's portfolio reached 139 properties representing approximately 10.2 million square feet of leasable space, 4.1 million square feet of which is located in the Montreal area.

## **3.3 ACQUISITIONS, CONSTRUCTIONS AND EXPANSIONS IN THE YEAR ENDED DECEMBER 31, 2006**

In the fiscal year ended December 31, 2006, the REIT acquired and completed the construction of properties representing a leasable area of approximately 980,000 square feet. This included the acquisition of nine properties totaling 586,623 square feet and the construction and expansion of eight properties for a total of 393,506 square feet. These properties represent an investment of \$67.3 million.

A summary of acquisitions and developments completed during fiscal 2006 is as follows:

### **3.3.1 ACQUISITIONS**

1. In January 2006, Cominar acquired a 217,000 square foot industrial and mixed-use property located at 11,000 Parkway boulevard in Anjou, for a consideration of \$7.5 million.
2. In June 2006, Cominar acquired a 50,413 square foot industrial and mixed-use property located at 20 Hymus in Pointe-Claire, for approximately \$3.0 million.
3. In July 2006, Cominar acquired three industrial and mixed-use properties representing respectively, 39,408 square feet, 22,572 square feet and 42,462 square feet, respectively, located at 2156 de la Province, 2170 de la Province et 715 Delage in Longueuil, for a total consideration of approximately \$6.3 million.
4. In August 2006, Cominar acquired a 49,546 square foot industrial and mixed-use property located at 6445 Côte-de-Liesse in St-Laurent, for approximately \$2.5 million.
5. In September 2006, Cominar acquired two retail properties located at 2760 and 2790 Jacques-Cartier East in Longueuil, respectively, representing 24,400 and 6,000 square feet, for a total consideration of \$5.4 million.

6. In October 2006, Cominar acquired an office property located at 201 Laurier East in Montreal, representing 131,553 square feet of leasable space, for \$19.5 million.

Additional information with respect to the abovementioned properties may be found in section 4.4 of this AIF.

### **3.3.2 COMPLETED DEVELOPMENTS**

1. In the first quarter of 2006, Cominar completed the construction of an industrial and mixed-use property representing 46,959 square feet of leasable space, located at 3000 St-Jean-Baptiste, Quebec, at a cost of approximately \$2.8 million.

2. In the third quarter of 2006, Cominar completed the construction of a 103,140 square foot industrial and mixed-use property located at 2800, St-Jean-Baptiste, Quebec, at a cost of approximately \$6.5 million.

3. In the third quarter of 2006, Cominar completed the construction of a 117,036 square foot industrial and mixed-use property, located at 4451 Autoroute Laval West in Laval, at a cost of approximately \$7.1 million.

4. In the third quarter of 2006, Cominar completed a 23,129 square foot development of a retail property located at 1050 René-Lévesque in Drummondville, at a cost of approximately \$0.3 million.

5. In the third quarter of 2006, Cominar completed a 22,800 square foot development of an industrial and mixed-use property located at 940 Bergar in Laval, for approximately \$0.4 million.

6. In the fourth quarter of 2006, Cominar completed a 37,600 square foot development of an industrial and mixed-use property located at 40 chemin du Tremblay in Longueuil, for approximately \$1.7 million.

7. In the fourth quarter of 2006, Cominar completed the construction of a 34,030 square foot industrial and mixed-use property located at 120 de New-York, St-Augustin, for approximately \$4.0 million.

8. In the fourth quarter of 2006, Cominar completed the construction of a 4,054 square foot retail property located at 3323 du Carrefour in Québec City, for approximately \$0.4 million.

Additional information with respect to the abovementioned properties may be found in section 4.4 of this AIF.

### **3.3.3 SALE**

1. In the fourth quarter of 2006, Cominar sold a 56,337 square foot industrial and mixed-use property located at 5055 Hugues-Randin in Québec City, for \$3.6 million. A gain of \$0.6 million was realized.

## **3.4 PROPOSED ACQUISITION OF ALEXIS NIHON REAL ESTATE INVESTMENT TRUST PROPERTIES**

On February 20, 2007, Cominar announced that it had entered into a binding asset purchase agreement with Homburg Investment Inc. ("Homburg") pursuant to which Cominar agreed to purchase approximately 6.5 million square feet of office and industrial properties (the "Alexis Nihon Properties") of Alexis Nihon Real Estate Investment Trust ("Alexis Nihon") for a sum of \$592 million. The purchase of the Alexis Nihon Properties is conditional upon the success of Homburg's previously announced offer for Alexis Nihon units.

Additional information with respect to events leading up to the entering into of this asset purchase agreement and the projected impact of this transaction may be found in the Management's Discussion and Analysis for the year ended December 31, 2006 available at [www.sedar.com](http://www.sedar.com).



## **4. DESCRIPTION OF THE BUSINESS**

### **4.1 GENERAL**

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 to provide Unitholders with growing tax-deferred cash distributions payable monthly and to increase and maximize unit value through proactive management, including the acquisition of income properties and the development and expansion 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, in the Greater Montreal Area 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 maintain 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.

### **4.2 MANAGEMENT AND GROWTH 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 focuses on:

- growing net rental revenues and occupancy levels of its Portfolio and, where economically viable, exploiting expansion or redevelopment opportunities for long-term value appreciation; and
- seeking 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.

In 2006, the REIT continued to apply a conservative acquisition strategy and to develop quality properties in strategically located sites sought by customers in the Montreal and Quebec City regions.

As stated in the past, in order to meet its profitability criteria in a context of steadily rising properties prices, the REIT has focused on accelerating the development of those of its properties offering a potential increase in return, and the construction of new properties on vacant lots under its ownership.

Based on its long experience in the real estate sector and its in-depth market intelligence, the REIT is committed to remaining conservative in developing its property portfolio in order to secure its profitability in the medium and long term. Every project is therefore appraised in accordance with specific criteria, the most important being the property's current and future profitability.

The key criterion in analyzing a prospective property acquisition remains the ratio between its purchase price, the debt involved and its profitability. The purchase price must be supported by the property's actual value, so as to associate a reasonable debt level with the transaction and to ensure satisfactory profitability through the various phases of an economic cycle.

Furthermore, to reduce the risk associated with a particular sector, the REIT continues to ensure that its portfolio is well balanced among its three sectors – office, retail and industrial and mixed-use properties.

Geographical diversification also plays a key role in the REIT's growth strategy. As at December 31, 2006, properties in the Montreal region accounted for some 36% of its portfolio's leasable area.

In conclusion, the REIT's primary strategies are focused on continuing to make acquisitions and carry out developments, that match its criteria of quality and profitability over the short and long term, maintaining a fairly well-balanced segmented diversification among office, retail and industrial and mixed-use properties, continuing to maintain geographical diversification, and finally, maintaining a conservative financing structure.

#### **4.2.1 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 is to maintain its dominant position as well as to capitalize on other real estate investment opportunities.

As at December 31, 2006, the REIT owned 89 income properties in the Greater Quebec City Area, totaling 6.1 million square feet. Since 1999, when Cominar 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 as the REIT penetrated the Montreal market, it opened a regional office and set up a team committed to meeting clients' needs. As at December 31, 2006, the REIT's portfolio included 50 Montreal-area properties covering 4.1 million square feet.

The current economic conditions in the province of Quebec favor the real estate market. The price of buildings has increased significantly and the demand for leasable spaces remains high particularly in the sectors of industrial and mixed-use buildings and offices located on the outskirts of the downtown areas.

The REIT believes there is still significant growth potential for cash flows and value appreciation from other properties located in its market. However, in a bullish market, a real estate manager must be prudent when purchasing properties in order to ensure that an acquisition will remain profitable even in a more difficult economy.

#### **4.2.2 ALIGNMENT OF MANAGEMENT' AND THE REIT'S INTERESTS**

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 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.

#### 4.2.3 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;
- efficient management information systems, including 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.

#### 4.2.4 BALANCED PORTFOLIO

The REIT seeks 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 provides the REIT with a diversified tenant base, reduces cash flow volatility and increases potential capital appreciation.

In 2006, the industrial and mixed-use sector made the greatest contribution to net operating income with 35.6%, compared with 33.2% in 2005, while the contribution from the retail sector went from 31.0% in 2005 to 29.5% in 2006. For its part, the office sector remained quite stable, with a contribution of approximately 35.0% of Net Operating Income.

#### Information by Sector

Sectors	Rental Revenues		Net Operating Income	
	2006 (\$000)	2005 (\$000)	2006 (\$000)	2005 (\$000)
Office	46,349	44,176	28,039	26,422
Retail	41,129	38,951	23,652	22,800
Industrial and Mixed-Use	<u>44,208</u>	<u>38,431</u>	<u>28,580</u>	<u>24,422</u>
<b>Total</b>	<b>131,686</b>	<b>121,561</b>	<b>80,271</b>	<b>73,644</b>

#### 4.2.5 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 the 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".

## 4.3 INVESTMENT GUIDELINES AND OPERATING POLICIES

### 4.3.1 INVESTMENT GUIDELINES

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

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

- i) the REIT 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 Income 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 Income Tax Act to pay a tax imposed as a result of holdings by the REIT of foreign property as defined in the Income Tax Act, that would result in Units being foreign property for the purposes of the Income Tax Act or that would result in the REIT paying a tax under the registered investment provisions of the Income 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.

#### 4.3.2 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.

#### **4.3.3 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.

At the annual and special meeting of Unitholders to be held on May 15, 2007, or at any adjournment thereof, management intends to submit to a unitholder vote a number of amendments to the Contract of Trust. For additional information on the proposed amendments, please refer to the "Contract of Trust Amendments" section of the Management Proxy Circular dated March 26, 2007, available at [www.sedar.com](http://www.sedar.com).

## 4.4 PROPERTIES

As at December 31, 2006, the Portfolio of the REIT included 139 office, retail, industrial and mixed-use properties located in the Greater Quebec City Area and in the Greater Montreal area. The Portfolio consists of 2.4 million square feet of office space, 2.3 million square feet of retail space and 5.5 million square feet of industrial and mixed-use space representing, in the aggregate, approximately 10.2 million square feet of leasable area. The Properties comprising the Portfolio are prime locations along major thoroughfares 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.

### 4.4.1 OVERVIEW OF PORTFOLIO

The following tables summarize the Properties of the REIT as at December 31, 2006 by asset class, the lease expiries and renewals as well as the new leases as at December 31, 2006 and the lease maturities from 2007 to 2011:

#### Allocation by Property Type <sup>(1)</sup>

Property Type	Number of Properties	Area (square feet)	%	% Leased
Office Properties.....	15	2,348,863	23.1	96.0
Retail Properties .....	31	2,318,703	22.8	94.3
Industrial and Mixed-Use Properties.....	93	5,522,486	54.1	93.8
<b>Total Portfolio .....</b>	<b>139</b>	<b>10,190,052</b>	<b>100.0</b>	<b>94.4</b>

**Note:**

1) Includes the properties being developed which are not included in the calculation of the occupancy rate and the weighted average net rent (See "Summary of the Properties").

#### Expiries, Renewals and New Leases for 2006

	Office	Retail	Industrial and Mixed-Use	TOTAL
<b>Expired Leases</b>				
Number of leases	81	105	101	287
Area (square feet)	200,838	200,514	601,471	1,002,823
Average net rent/square foot	\$7.93	\$10.01	\$5.27	\$6.73
<b>Renewed Leases</b>				
Number of leases	46	72	72	190
Area (square feet)	147,578	130,470	580,035	858,083
Average net rent/square foot	\$8.51	\$12.02	\$5.35	\$6.91
<b>New Leases</b>				
Number of leases	19	28	88	135
Area (square feet)	43,583	75,548	442,982	562,113
Average net rent/square foot	\$9.50	\$7.51	\$7.02	\$7.28

#### Lease Maturities <sup>(1)</sup>

	Office <sup>(2)</sup>	Retail <sup>(3)</sup>	Industrial and Mixed-Use	TOTAL
<b>Nombre of Tenants</b>				
2007 .....	86	126	148	360
2008 .....	76	95	116	287
2009 .....	33	67	82	182
2010 .....	56	100	73	229
2011 .....	37	68	75	180



	Office <sup>(2)</sup>	Retail <sup>(3)</sup>	Industrial and Mixed-Use	TOTAL
<b>Area (per square feet)</b>				
2007 .....	274,726	273,140	1,056,763	1,604,629
2008 .....	265,673	264,165	766,759	1,296,597
2009 .....	94,754	187,980	452,381	735,115
2010 .....	219,912	229,786	464,048	913,746
2011 .....	173,820	270,468	792,577	1,236,865
<b>Weighted Average Net Rent (per square feet)</b>				
2007 .....	\$9.14	\$9.71	\$5.49	\$6.83
2008 .....	\$9.44	\$8.76	\$5.41	\$6.92
2009 .....	\$10.78	\$11.20	\$5.86	\$7.86
2010 .....	\$9.47	\$11.29	\$6.17	\$8.25
2011 .....	\$9.68	\$10.02	\$5.77	\$7.25

**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.

**4.4.2 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, 2590-2640 Laurier Blvd, Quebec City	1964/1970/ 1982/1988/ 1993/ 2003/2004	679,216	95.5	Financière Banque Nationale, Valeurs Mobilières Desjardins, AXA Assurances, Régie des rentes du Québec, La Great West Compagnie d'Assurance-Vie, Société canadienne d'hypothèques et de logement, Garantie compagnie d'assurance, Gestion M.D., La Financière Manuvie, Aon, Microsoft Canada, Motorola Canada, SEPAQ, PriceWaterhouse-Coopers, Autorité des marchés financiers, Lombard Canada
150 René-Lévesque East Blvd, Quebec City	1973/1999	234,786	99.5	Société Immobilière du Québec, Cantel, Vidéotron, Télécom 9, a Canadian charter bank, Ernst & Young, Telus Communications (Québec)
3175 des Quatre-Bourgeois, Quebec City	1990	100,516	86.9	Travaux Publics Canada, Re/Max, Société Immobilière du Québec, Lumbermen's Underwriting Alliance
979 de Bourgogne Ave, Quebec City	1976/1988/ 1996	65,462	97.5	Travaux Publics Canada, Financement agricole Canada, Office des personnes handicapées du Québec, Association Paritaire pour la Santé et la Sécurité du Travail-secteur minier
2014 Cyrille-Duquet St, Quebec City	1979/1997	61,258	85.3	Association canadienne des automobilistes (Québec), Innovmetric Logiciels, Sun Microsystems of Canada

Properties	Year built/ renovated	Leasable Area (square feet)	% Leased	Selected Tenants <sup>(2)</sup>
455 du Marais St, Quebec City	1977/1997	61,018	100.0	L'Industrielle- Alliance, Compagnie d'Assurance sur la vie, Cominar, Cygnal Technologies, Corporation des services d'ambulances du Québec, Moore North America, Telus Communications (Québec), Groupe Écho Canada
4605-25-35 1 <sup>re</sup> Avenue, Quebec City	1979/1993	40,945	91.8	L'Industrielle-Alliance, Compagnie d'assurance sur la vie, a Canadian charter bank, Subway (restaurant)
2200 Cyrille-Duquet St, Quebec City	1965/1986/ 1996	30,485	100.0	Telus Communications (Québec), Société d'Assurance Automobile du Québec
5073-75-79 Wilfrid-Hamel West Blvd, Quebec City	1980/1994	28,265	100.0	Au Vieux Duluth (restaurant), Fédération Indépendante des Syndicats autonomes
5055 Wilfrid-Hamel West Blvd, Quebec City	1979/1996	27,837	93.1	Matériaux Blanchet, Laforge Barbeau, avocats, Société Immobilière du Québec
8500 Décarie Blvd, Mount-Royal	2001	175,060	100.0	Ericsson Canada
1265 Charest West Blvd, Quebec City	1975/2002	140,246	98.5	Esri Canada, Société Immobilière du Québec, Médias Transcontinental, Pencorp, compagnie d'assurance sur la vie, Groupe Altus
255 Crémazie East Blvd, Montreal	1967/2002	244,414	88.6	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, Nordias Québec
3400 Jean-Bélaud Ave, Laval	2001	156,270	100.0	Travaux Publics Canada
300-330 Viger East Ave, Montreal	1993	171,532	100.0	Quebecor Média
201-211 Laurier East St, Montreal	1916 1989 2001	131,553	98.1	Ville de Montréal, Sitel Téléservices Canada, Softvoyage, Corps canadiens des Commissaires
<b>Sub-total (offices)</b>		<b>2,348,863</b>	<b>96.0</b>	

**COMMERCIAL BUILDINGS**

Place de la Cité 2590-2640 Laurier Blvd, Quebec City	1964/1970/ 1982/1993/ 1998	342,976	88.5	Caisse Populaire Desjardins, two Canadian charter banks, 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 Henri-Bourassa Blvd, Quebec City	1976/1988/ 1995/1996/ 2004	312,046	91.2	Métro, Pharmacie Brunet, Sports Experts, Radio Shack, a Canadian charter bank, L'Industrielle-Alliance compagnie d'assurance sur la vie, Énergie Cardio, Yellow, Dollarama, Rossy

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>(2)</sup></b>
Halles Fleur de Lys 245 Soumande St, Quebec City	1978/1984/ 1994	89,261	93.2	Marché Plus, Société des Alcools du Québec, Restaurant Pacini
325 du Marais St, Quebec City	1991	78,473	91.5	Toshiba, Restaurant Tomas Tam, Kit à Tout (magasin de meubles), Re/Max, Travaux Publics Canada
1400 Saint-Jean-Baptiste Ave, Quebec City	1979/1995	104,309	100.0	Meubles Zip International Ltée, Mega Fitness Gym, Société de l'assurance automobile du Québec, a Canadian charter bank, BPR Bechtel
2160 de la Rive-Sud Blvd, Saint-Romuald	1971/1978/ 1996	72,843	100.0	Métro, Caisse populaire Desjardins, Vidéo Éclair
355 du Marais St, Quebec City	1990	37,375	100.0	Schneider Canada Inc., Maître Piscinier, Duro Vitres d'Auto, Trans Canada Crédit
550 du Marais St, Quebec City	1995	16,649	100.0	Écho Sports, Chaussures Néro Bianco
5 d'Orléans St, Quebec City	1978/1985	5,792	100.0	A Canadian charter bank
329 Seigneuriale St, Quebec City	1992/1997	3,792	100.0	Lebeau Vitres d'Auto
239-245 Samson Blvd, Laval	1991	40,772	100.0	Cantel, Jean-Coutu, Superclub Vidéotron
1367-1371 Sainte-Foy, Quebec City	1950/1983	5,491	100.0	Immeubles Couche-Tard
2195 de la Rive-Sud Blvd, Saint-Romuald	1977/1985	6,225	100.0	A Canadian charter bank
1970 Chauveau Ave, Quebec City	1970/1983	2,400	100.0	Provi-Soir
1479-1481-1483-1485 Saint- Bruno Blvd, Saint-Bruno-de- Montarville	1997	12,971	100.0	Pennington, Yellow
1465 Saint-Bruno Blvd, Saint-Bruno-de-Montarville	1997	26,093	100.0	Bureau en gros
1475 Saint-Bruno Blvd, Saint-Bruno-de-Montarville	1997	129,638	100.0	Wal-Mart
1495 Saint-Bruno Blvd, Saint-Bruno-de-Montarville	1997	34,808	100.0	Cinéplex Odéon
Les Promenades Beauport 3333 du Carrefour St, Quebec City	1978/2002/ 2004	500,998	95.6	Dooly's, Super C, Jean-Coutu, Dollarama, Yellow, Parfumerie dans un Jardin, Énergie Cardio, Winners, Radio Shack, Cantel, Travaux publics, Chaussures Bata, Meubles Léon
3319 du Carrefour St, Quebec City	2003	3,090	100.0	Tim Horton
1295 Charest West Blvd, Quebec City	1982	26,000	100.0	Boiteau Luminaire

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>(2)</sup></b>
Place Lévis 50 du Président-Kennedy, Lévis	1970/1995	222,499	90.8	Provigo Distribution, Superclub Vidéotron, Cage aux Sports, Nautilus Plus, Valeurs Mobilières Desjardins, Piscines Trévi, Simon Maranda, Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, La Financière Agricole
1275 Charest West Blvd, Quebec City	1975/2002	63,249	100.0	Informatique SMI, Meubles Croteau, Société Immobilière du Québec
800 Claude-Jutras Blvd, Longueuil	2003	30,352	100.0	Déco Découvertes
2101-2137 Curé-Labelle Blvd, Laval	2003	64,684	100.0	Trans Canada Crédit, Sobeys, Familiprix
3345 du Carrefour St, Quebec City	2005	20,234	79.3	Caisse populaire du Vieux Moulin, Matelas Dauphin, Sushi Zen
5600 de la Rive-Sud Blvd, Lévis	2005	8,100	100.0	Société des Alcools du Québec
1050 René-Lévesque Blvd, Drummondville	1987/2001	23,129	77.8	Buropro Produits de bureau
2760-2784 Jacques-Cartier East, Longueuil	2006	24,400	100.0	Énergie Cardio, La Belle Province, Quizno's
2790-2794 Jacques-Cartier East, Longueuil	2006	6,000	100.0	Tutti Frutti, Restaurant Bravi
3323 du Carrefour St, Quebec City	2006	4,054	100.0	A Canadian charter bank
<b>Sub-total (commercial buildings)</b>		<b>2,318,703</b>	<b>94.3</b>	

**INDUSTRIAL AND MIXED-USE  
PROPERTIES**

1990 Cyrille-Duquet St, Quebec City	1976/1977/ 1995/1996	89,596	92.1	Caractera, Refac (Westburne), JTI McDonald, ADT Service de sécurité, Ascenseurs Thyssen
320 de la Canardière, Quebec City	1980/1993	12,819	96.1	Centre hospitalier Robert-Giffard
1515 Saint-Jean-Baptiste Ave, Quebec City	1979/1989	61,973	98.0	Barnabé Meubles (1983), Fixatech
2022 Lavoisier St, Quebec City	1978	58,903	100.0	Crobel, Otis Canada, Groupe de services Optimal, La Société Radio-Canada, Essilor Canada, KCI Médical
100 Chabot St, Quebec City	1968/1986/ 2004	59,737	100.0	Regroupement des bingos Limoilou, Ville de Québec, Distribution Distrimax
235 Fortin St, Quebec City	1996	26,006	100.0	Hostess Frito-Lay
2160 Cyrille-Duquet St, Quebec	1965/1981/ 1994	44,688	59.5	Opération Enfant Soleil, SSI 2000

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>(2)</sup></b>
4975 Rideau St, Quebec City	1990	32,812	100.0	Black and Decker Canada, Omron Canada, Nanox, Henry Schein Arcona
2020 Cyrille-Duquet St, Quebec City	1968	41,133	100.0	Quillorama
1075 des Basses-Terres, Quebec City	1995	48,025	100.0	Entreprises Industrielles Westburne
280 Racine St, Quebec City	1984/1986	18,801	100.0	A Canadian charter bank, Société canadienne des postes
2025 Lavoisier St, Quebec City	1978/1983/ 1990	37,124	100.0	Telav, General Motors du Canada, Entourage, Solutions Technologies
2100 Cyrille-Duquet St, Quebec City	1962/1975/ 1995	31,419	87.9	Bagel Tradition'l
2150 Cyrille-Duquet St, Quebec City	1970/1985/ 1994	22,432	100.0	Canon du Canada
2955 Kepler Ave, Quebec City	1978	14,960	100.0	Expertise Transport Québec
4175 Sainte-Anne Blvd, Quebec City	1974/1977/ 1985/1988	39,245	76.8	Bingo des Chutes
2180 Cyrille-Duquet St, Quebec City	1969/1984/ 1997/2003	20,100	100.0	Mobilier International, Ash Temple (Servident)
5125 Rideau St, Quebec City	1987/1997	11,575	100.0	Canpar Transport
454-456 Marconi Ave, Quebec City	1984	15,592	100.0	Axion Sonorisation Éclairage
5000 Rideau St, Quebec City	1995	2,475	100.0	Travaux publics Canada
1730-1790 Newton Ave, Quebec City	1987	62,925	100.0	Unisource, Ascenseurs Drolet Kone
1165 Lomer-Gouin St, Quebec City	1941/1978 1993	71,627	100.0	Produits Capitale, Asystel, Étiquettes Berco, MS2 Contrôle, Clef du découpage
2006-2010 Lavoisier St, Quebec City	1976	68,235	100.0	United Auto Part
830 Godin Ave, Quebec City	1978/1994	49,112	100.0	Iron Mountain (Archivex), P.E. Fraser
955 Pierre-Bertrand Blvd, Quebec City	1995	47,654	100.0	Restaurant La Casa Grecque, Palace Cabaret, Groupe PMT/Roy
2345-2349 Dalton Ave, Quebec City	1973/1981	54,232	100.0	Polycritec, Palmar Automotive, Quanta Énergie
2383-2393 Watt Ave, Quebec City	1973/1981	67,092	100.0	Pâtisserie Dumas, Distribution Silpro, Andlauer Transportation, Radiateur Montréal
625 des Canetons St, Quebec City	1989	19,981	100.0	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 Saint-Jean-Baptiste Ave, Quebec City	1978/1991	33,034	100.0	Location Brossard, Distribution AG
5130 Rideau St, Quebec City	1988	24,402	100.0	Gojit, Toromont, Enertrak, Geyco
2755 Dalton Ave, Quebec City	1971/1989	23,853	100.0	Quincaillerie Richelieu, Inspec-Sol
310 Métivier St, Quebec City	1972/1991	19,345	100.0	Machinage Usitech, Centre Hydraulique GMB
989 Pierre-Bertrand Blvd, Quebec City	1974/1994	38,427	99.7	L'Entrepôt de la Boîte, Piscines et Spas Mont-Joie, Bicycles et Sports G.T.H., Canada Spas Dépôt
2015 Lavoisier St, Quebec City	1974	2,134	100.0	Modulaire Plus
650 Godin Ave and 460 Desrochers St, Quebec City	1967/1975 1977	188,643	98.0	Société Immobilière du Québec, LPA Médical
625 Godin Ave, Quebec City	1989/1990	60,391	100.0	Messagerie Dynamique une division de Communications Québécois, Scelco, Viking Chains
579 Godin Ave, Quebec City	1981/1999	12,337	100.0	Boc Gaz Canada
2700 Jean-Perrin St, Quebec City	1987/1998	128,353	94.5	Cor Active Hightech, Société Canadienne des Postes, Télémag 24, Graphiscan, Cantel, Fondation Mira, Imprimerie Litho-Chich
2181-2211 Léon-Harmel St, Quebec City	1974/2003	70,812	90.7	Groupe SPL, Beauvais et Verret, Produits Forestiers CJP, Boulangerie Rondeau, Groupe Show Distribution
1540 Cyrille-Duquet St, Quebec City	2000	9,425	100.0	Marco Caravane
445 Saint-Jean-Baptiste Ave, Quebec City	1986/2003	91,795	100.0	Sani Métal, Gentec Electro-optique, Arrow Electronics Canada, Moteurs Électriques Laval, ABF Freight Systems Canada, Rosedale Transport
500 Saint-Jean-Baptiste Ave, Quebec City	1987	87,033	100.0	Fiso Technologies, EBQM, Banque à charte canadienne, Gecko Électronique
5275 Wilfrid-Hamel Blvd, Quebec City	1981	29,989	100.0	Acousti-Plus, Midbec
1670 Semple St, Quebec City	1972/2000	89,129	96.2	Société Immobilière du Québec, Société Radio-Canada
2500 Jean-Perrin St, Quebec City	1998	75,149	100.0	Telus Mobility, Datamark, Primerica, Proludik, Ricoh Canada, Amants de la Nature, Sico
2600 Jean-Perrin St, Quebec City	2001	48,814	100.0	Société Immobilière du Québec, Maburco Québec plomberie, chauffage
470 Godin Ave, Quebec City	1980	22,532	100.0	Dolbec Transport

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>(2)</sup></b>
765 Godin Ave, Quebec City	1976/1989	15,350	100.0	Tyco International of Canada
8288 Pie-IX Blvd, Montreal	1989	119,522	100.0	Belron Canada
1415 32 <sup>e</sup> Avenue, Lachine	1989/1993	71,503	100.0	C.A.C. Transport
1455 32 <sup>e</sup> Avenue, Lachine	2001	32,500	100.0	GGI International
1475 32 <sup>e</sup> Avenue, Lachine	1988	91,690	97.4	Silgan Plastics Canada, Pneutech
3300 J.-B.-Deschamps Blvd, Lachine	1989	19,393	100.0	Paquette White
9101 des Sciences Blvd, Anjou	1999/2000	72,402	100.0	Hibbert Wholesales (1998), Maison de Distribution Colac
275 Métivier St, Quebec City	2003	38,815	84.6	Amalcorp, Centre d'estimation de la capitale, Vision Audio-Visuel
9100 du Parcours Blvd, Anjou	1998/2000	122,602	100.0	Ventrol Air Handling Systems
10550 Parkway Blvd, Anjou	1964/1972	110,000	100.0	Équipement de sécurité Arkon
2105 Dagenais West Blvd, Laval	1999/2003	274,700	33.4	Dura Housewares, MAS Automotive, Yourtruckshop
1041 Pierre-Bertrand Blvd, Quebec City	1963/2002	118,611	100.0	Sears Canada, Dolbec Transport Messagerie Beau-Par
620-650 Giffard St., Longueuil	1980	53,018	92.0	Groupe Master, Enertrak, Lumen
667-687 Giffard St, Longueuil	1980	43,471	100.0	Construction Michel Gagnon, Aliments Krispy Kernels, Praxair Distribution, DJS Distribution
784-818 Guimond Blvd, Longueuil	1988	81,050	90.0	Boiron Canada, Technologie Clemex, Kinacor
40 du Tremblay, Boucherville	1991/2006	142,805	100.0	Ikea Wholesale
1315 Gay-Lussac St, Boucherville	1991	43,693	100.0	Produits Paklab
1675 de Montarville Blvd, Longueuil	1989/2003	142,264	100.0	Groupe Master
894-930 Bergar St, Laval	1989	33,179	100.0	Boc Canada, Electrical Cable Supply, Aero Chem
901-937 Michelin St, Laval	1988	42,648	100.0	Megalab
1405-1453 Bergar St, Laval	1988	32,480	100.0	Imprimerie VDL, Tasfilm, Attaches Richard

<b>Properties</b>	<b>Year built/ renovated</b>	<b>Leasable Area (square feet)</b>	<b>% Leased</b>	<b>Selected Tenants <sup>(2)</sup></b>
3370-3418 Industriel Blvd, Laval	1986	55,331	100.0	Surplec, Franklyn Supply, Rexel Canada Électrique (Westburne)
3401-3421 Industriel Blvd, Laval	1986	53,422	100.0	Produits Hydrauliques R.G, ATM PRQ, Équipements Tramac
5250 Armand-Frappier St, St-Hubert	1992	59,460	100.0	Hydro-Québec
3424-3428 Francis-Hugues Ave, Laval	2003	16,114	50.1	Trane Québec
1405-1455-1495 55e Avenue, Dorval	2001	66,185	100.0	Intermove Canada, International Paint, division of Akzono, Total Logistics Partner (Ocean consolidators)
1775 Léon-Harmel St, Quebec City	2004	22,093	100.0	Westburne – Wolseley Canada
300 Métivier St, Quebec City	2004	28,708	100.0	Dolbec Transport
330 Avro Ave, Montreal	1991/1998	101,222	100.0	Dynacast Canada
19701 Clark-Graham, Baie d'Urfé	1987	162,000	100.0	Alcan Packaging Canada
4500-4536 Louis-B.-Mayer, Laval	2004	46,740	100.0	PH Vitres d'Auto, Laboratoires de construction 2000, Fournitures Funéraires Victoriaville, Lamnex
2600 Saint-Jean-Baptiste Ave, Quebec City	2004	35,295	100.0	Telops, Studio Ross, Sinclair Dentaire
940 Bergar St, Laval	1987	15,000	100.0	Brite-Lite maintenance
11000 Parkway Blvd, Anjou	1965	217,000	100.0	Relizon Canada, Meubles Concordia
4451-4479 Laval Highway West, Laval	2004	117,036	83.8	Agence de recouvrement TCR, Câblages informatiques Instacâble, Groupe Cadec, L'Industrielle-Alliance, Compagnie d'Assurance sur la vie, Mitek Canada, Neks Technologies, Philippe Dagenais Mobilier Décoration
3000 Saint-Jean-Baptiste Ave, Quebec City	2004	46,959	76.4	Société de gestion informatique Sogique
2800 Saint-Jean-Baptiste Ave, Quebec City	2004	103,140	87.2	Covéo Solution, Desjardins Groupe d'assurances générales, Dr. Yves Bélanger & Dr. Marc Bureau, Jardin Mobile, Pétroles Irving, Mission-HGE, Siemens, Travaux publics Canada
20 Hymus Blvd, Pointe-Claire	1986	50,413	0.0	
2156-2168 de la Province St, Longueuil	1990	39,408	72.8	Futech Hitec, Keystone Manufacturing Plastics, Liquidation Choc, Style & Paper
2170 de la Province St, Longueuil	1990	22,572	100.0	Hydro-Québec



Properties	Year built/ renovated	Leasable Area (square feet)	% Leased	Selected Tenants <sup>(2)</sup>
715 Delage St, Longueuil	1990	42,462	100.0	C.E.L. Équipement d'essai aérospatial, L.E.M. Technologies, Reliure Rive-Sud, SID Distribution
6445 Côte-de-Liesse, St-Laurent	1980/1999	49,546	100.0	SE CE Appareil
120 New-York St, St-Augustin-de-Desmaures	2006	34,030	100.0	Équipement Fédéral
<b>Sub-total (industrial and mixed-use)</b>		<b>5,271,702</b>	<b>93.7</b>	
<b>BUILT AND UNDER DEVELOPMENT</b>				
275, St-Sacrement Quebec City	1949/2006	66,479	N/A	N/A
2900-2976, Joseph-A. Bombardier, Laval	2005	104,305	N/A	N/A
3025, Joseph-A. Bombardier Laval	2006	80,000	N/A	N/A
<b>Sub-total (built and under development)</b>		<b>250,784</b>	<b>N/A</b>	
<b>TOTAL PORTFOLIO</b>		<b>10,190,052</b>	<b>94.4</b>	

**Notes:**

(1) These figures are as at December 31, 2006 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.

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

**4.4.3 PLACE DE LA CITE*****2590-2640 Laurier Blvd., Quebec City, Quebec***

Place de la Cité in Québec, Québec is a fully-integrated 1.02 million square foot multi-functional office and retail complex built between 1964 and 2004, comprising 679,216 square feet of Class "A" office space and 342,976 square feet of retail space, including a 46,718 square foot health and recreational centre (Club Entrain). The complex has parking for 2,368 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. In April 2004, Cominar completed the construction of a 17 storey office tower (the "Cominar Tower") having a leasable area of approximately 205,000 square feet. 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 is attended by approximately 34,000 students, is in the immediate vicinity. In addition, the area is characterized by a heavy concentration of hotels, restaurants, office buildings, businesses and two major hospitals.

#### 4.4.3.1 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:

<b>Tenants</b>	<b>Leasable Area (square feet)</b>
Société Telus Communications .....	6,815
Bureau des Passeports .....	7,664
Produits Forestiers Portbec ltée .....	9,066
Gestion MD .....	9,104
Société canadienne d'hypothèques et de logement.....	9,272
Régime de Retraite de l'Université du Québec.....	9,999
Trust Banque Nationale (le).....	10,044
Valeurs Mobilières Desjardins .....	12,349
Malenfant Dallaire SENC .....	12,615
Financière Banque Nationale inc. ....	13,886
La Great West, Compagnie d'Assurance-Vie .....	14,942
AXA Assurances inc. ....	24,184
PWC Management Services LP .....	25,078
Aon Parizeau Inc. ....	29,373
SEPAQ .....	32,768
Autorité des marchés financiers .....	78,764
Régie des rentes du Québec.....	219,066
Other tenants.....	154,227
<b>Total .....</b>	<b>679,216</b>

In addition to the tenants listed above, other prominent office tenants are Manuvie Financial, Laberge Lafleur AEMG, TD Waterhouse, Zurich Canada, Bureau de la sécurité des transports du Canada, Lombard Canada, Microsoft Canada and La Garantie cie d'assurance.

#### 4.4.3.2 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:

<b>Tenants</b>	<b>Leasable Area (square feet)</b>
Disnat Courtier à escompte Inc .....	4,394
Canadian charter bank.....	5,903
Canadian charter bank.....	7,933
Automobile & Touring Club du Québec.....	8,483
Jardin Mobile .....	9,909
Caisse populaire Desjardins .....	18,831
Club Entrain .....	41,784
Other tenants (115 tenants) .....	245,739
<b>Total .....</b>	<b>342,976</b>

In addition to the tenants listed above, prominent retail tenants also include Restaurant Le Beaugarte, Roots, Dans un Jardin, Uniprix (pharmacy), TD Waterhouse and Lunetterie New Look.

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

#### **4.4.4 OFFICE PROPERTIES**

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

##### ***150 René-Lévesque East Blvd, Quebec City, Quebec***

A 20-storey, 234,786 square foot office tower situated on 36,344 square feet of land. It was built in 1973 and renovated in 1998-1999. It is 99.5% leased and has 300 indoor parking spaces. Major tenants include Société Immobilière du Québec, Cattel, Videotron, Télécom 9, Ernst & Young, Telus Communications and a Canadian chartered bank.

##### ***3175 des Quatre-Bourgeois, Quebec City, Quebec***

A 100,516 square foot office building situated on 76,122 square feet of land. Built in 1990, it is 86.9% leased and has 270 indoor and outdoor parking spaces. Major tenants include Public Works Canada, Re/Max Fortin Delage, Société Immobilière du Québec and Lumbermen's Underwriting Alliance.

##### ***979 de Bourgogne Ave, Quebec City, Quebec***

A 65,462 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 97.5% leased and has 134 outdoor parking spaces. Major tenants include Financement agricole Canada (farmers' credit union), Public Works Canada, Office des personnes handicapées du Québec (handicapped persons' protection office), Association paritaire pour la Santé et la Sécurité du Travail, secteur minier.

##### ***2014 Cyrille-Duquet St, Quebec City, Quebec***

A 61,258 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 85.3% leased and includes 164 outdoor parking spaces. Major tenants include the Canadian Automobile Association (Québec), Innovmétric Logiciels and Sun Microsystems of Canada.

##### ***455 du Marais St, Quebec City, Quebec***

A 61,018 square foot office building situated on 110,437 square feet of land and Cominar's head office. It was built in 1977 and expanded in 1997. The building is 100.0% leased and includes 137 outdoor parking spaces. Major tenants include Industrial Alliance Life Insurance Company, Telus Communications (Québec) Inc., Cygnal Technologies, Corporation des services d'ambulance du Québec, Moore North America and Groupe Echo Canada.

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

A 40,945 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 91.8% leased and has 170 parking spaces, 40 of which are indoors. Major tenants include Industrial Alliance Life Insurance Company, 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 Cyrille-Duquet St, Quebec City, 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 100.0% leased and includes 77 outdoor parking spaces. The main tenants are Telus Communications (Québec) Inc. and Société d'Assurance Automobile du Québec.

**5073-75-79 Wilfrid-Hamel West Blvd, Quebec City, Quebec**

A 28,265 square foot office building situated on 54,297 square feet of land. It was built in 1980 and renovated in 1994. The building is 100.0% leased and has 141 outdoor parking spaces. Major tenants include Au Vieux Duluth (restaurant) and Fédération Indépendante des Syndicats autonomes.

**5055 Wilfrid-Hamel West Blvd, Quebec City, Quebec**

A 27,837 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 93.1% leased and has 74 outdoor parking spaces. Major tenants include Matériaux Blanchet Inc., Société Immobilière du Québec and La Forge Barbeau, Attorneys.

**8500 Décarie Blvd, Mount-Royal, 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 thoroughfares. Built in 2001, the building houses eight floors of office space. The property is 100.0% leased to Ericsson Canada and has 270 indoor and 430 outdoor parking spaces.

**1265 Charest West Blvd, Quebec City, Quebec**

A 140,246 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 98.5% leased and has 278 outdoor parking spaces. Major tenants include The Société Immobilière du Québec, Groupe Altus, Esri Canada, Médias Transcontinental and Pencorp, life insurance company.

**255 Crémazie East Blvd, Montreal, Quebec**

A 244,414 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 highway. Built in 1967 and renovated in 2002, the building houses 12 floors of office space and two floors of underground parking. The building is 83.6% 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, Banque Laurentienne du Canada and Nordia Québec.

**3400 Jean-Béraud Ave, Montreal, Quebec**

A 156,270 square foot office tower located on 283,456 square feet of land. The building was built in 2001 and is 100.0% leased to Travaux Publics Canada. The building is located between boulevards Chomedey and Daniel-Johnson in Laval. It houses offices and has approximately 553 parking spaces.

**300 Viger East Ave, Montreal, Quebec**

A seven floor office tower of 171,532 square feet located on 170,221 square feet of land. Built in 1993, it is 100.0% leased to Quebecor Media. The building is located at the corner of Viger street, near autoroute Ville-Marie in downtown Montreal. It has approximately 54 parking spaces.

**201-211 Laurier East St, Montreal, Quebec**

A 131,553 square foot office building situated on 29,645 square feet of land. It was built in 1916, expanded in 1989 and renovated in 2001. The building is located at the North East intersection of Gaspé and Laurier East Avenues, in the Plateau Mont-Royal borough. The property has six floors of office space and 128 interior parking spaces as well as 16 outdoor parking spaces. It is 98.1% leased. Major tenants include The City of Montreal, Sitel Téléservices Canada, Softvoyage and Corps canadiens des Commissaires.

**4.4.5 RETAIL PROPERTIES****Carrefour Charlesbourg - 8500 Henri-Bourassa Blvd, Quebec City, Quebec**

A 312,046 square foot retail complex, including 61,252 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. An expansion of 76,000 square feet was completed in 2004 at a total cost of approximately \$9.8 million. The Property is 91.2% leased and is located on the principal thoroughfare 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 charter bank, the Caisse populaire Desjardins (Desjardins credit union), Énergie Cardio and Yellow. Major office tenants include the Industrial Alliance Life Insurance Company.

**Halles Fleurs de Lys — 245 Soumande St, Quebec City, Quebec**

An 89,261 square foot public market, including 29,041 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 93.2% 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) and Restaurant Pacini.

**325 du Marais St, Quebec City, Quebec**

A 78,473 square foot retail complex, including 38,788 square feet of ancillary office space, situated on 117,213 square feet of land. It was built in 1991. The building is 91.5% leased and includes 141 outdoor parking spaces. Major tenants include Toshiba, Re/Max, Restaurant Tomas Tam, Public Works Canada and Kit à Tout.

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

A 104,309 square foot retail complex, including 36,120 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 100.0% leased and includes 297 outdoor parking spaces. Major tenants include Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian charter bank, BPR Bechtel and the Société de l'Assurance Automobile du Québec.

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

A 72,843 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 100.0% leased and has 247 outdoor parking spaces. Major tenants include Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union) and Vidéo Éclair.

**355 du Marais St, Quebec City, Quebec**

A 37,375 square foot retail building situated on 98,088 square feet of land. It was built in 1990. The building is 100.0% leased and has 119 outdoor parking spaces. Major tenants include Maître Piscinier, Schneider Canada Inc., Duro Vitres d'Auto and Trans Canada Crédit.

***550 du Marais St, Quebec City, Quebec***

A 16,649 square foot retail building situated on 58,885 square feet of land. It was built in 1995. The building is 100.0% leased and has 60 outdoor parking spaces. Major tenants include Écho Sports and Chaussures Néro Bianco.

***329 Seigneuriale St, Quebec City, 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 100.0% leased to Lebeau Vitres d'Auto and has 20 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase.

***5 d'Orléans St, Quebec City, 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 100.0% leased to a Canadian chartered bank. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, for the same price as the third party offer to purchase.

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

A 40,772 square foot retail building situated on 118,906 square feet of land. It was built in 1991. The building is 100.0% leased and has 260 outdoor parking spaces. Major tenants include Cantel, Groupe Jean Coutu and Superclub Vidéotron.

***1367-1371 Sainte-Foy, Quebec City, 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 100.0% leased and includes six outdoor parking spaces. The significant tenant is Immeubles Couche-Tard (convenience store).

***2195 de la Rive-Sud Blvd, 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 100.0% leased to a Canadian chartered bank and has 42 outdoor parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, for the same price as the third party offer to purchase.

***1970 Chauveau Ave, Quebec City, 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 100.0% leased to Provi-Soir Inc. (convenience store) and has 28 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which the REIT is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase. The tenant's lease also provides for an option to purchase the Property in favour of the tenant, subject to certain conditions, for a price to be agreed upon by the parties or, failing such agreement, for a price equal to the then appraised fair market value of the Property.

***1465-1495 Saint-Bruno Blvd., Saint-Bruno-de-Montarville, Quebec (Includes five properties)***

A 233,862 square foot power centre comprised of five 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 and 2003. They are 100.0% leased and have 1,600 parking spaces. Major tenants are Wal-Mart Canada, The Business Depot, Corporation Cineplex Odéon, Groupe Yellow, Reitmans Canada and Déco Découverte.

**1295 Charest West Blvd, Quebec City, Quebec**

A 26,000 square foot retail property situated on 83,450 square feet of land (1.9 acres). Built in 1982, the building is 100.0% leased to Boiteau Luminaire and has 78 parking spaces.

**Place Lévis - 50 Président-Kennedy, Lévis, Quebec**

A 222,499 square foot retail building situated on 596,568 square feet of land (13.7 acres). The property is located on Route du Président-Kennedy, one of the principal thoroughfares 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 containing more than 1,000 parking spaces. The building is 90.8% leased and the major tenants are Provigo Distribution, Nautilus Plus, Cage aux sports, Super Club Vidéotron, Rossy, Valeurs Mobilières Desjardins, Piscines Trévi, Simon Maranda, Ministère de l'agriculture, des pêcheries et de l'alimentation et La Financière Agricole.

**1275 Charest West Blvd, Quebec City, 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 than 253,000 square feet. The building, built in 1975 and renovated in 2002, is 100.0% leased and has 101 outdoor parking spaces. Major tenants include Société Immobilière du Québec, Meubles Croteau and Informatique SMI.

**Les Promenades Beauport - 3333 du Carrefour St, Quebec City, Quebec**

A 500,998 square foot retail building (including 57,586 square feet of ancillary office space) 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 thoroughfare. It was built in 1978, renovated in 1991 and 2002 and expanded by 189,054 square feet in 2002. The second 123,400 square foot expansion phase ended in 2005. The building is 95.6% leased and has 2,985 parking spaces. Major tenants include Zellers, Métro-Richelieu, Dooly's, Groupe Jean Coutu, Energie Cardio, Groupe Yellow, Winners, Chaussures Bata, Parfumeries dans un Jardin, Radio Shack, Cantel, Leon's Furniture and Public Works Canada.

**3319 du Carrefour St, Quebec City, 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 100.0% leased to Tim Horton.

**2101-2137 Curé-Labelle Blvd, Laval, Quebec**

A 64,684 square foot retail complex, situated on 269,995 square feet of land, built in 2003. The building is 100.0% leased and has 369 outdoor parking spaces. Major tenants include Sobey's, Familiprix inc. and Trans-Canada Credit.

**3345 du Carrefour St, Quebec City, Quebec**

A 20,234 square foot retail building built in 2005 on Promenades Beauport land. The Property is 79.3% leased and major tenants include Caisse populaire du Vieux-Moulin, Matelas Dauphin and Sushi Zen.

**5600 de la Rive-Sud Blvd, Lévis, Quebec**

An 8,100 square foot retail building built in 2005 on Place Lévis land. It is 100.0% leased to Société des Alcools du Québec.

**1050 René-Lévesque, Drummondville, Québec**

A 23,129 square foot retail building on 70,649 square feet on land. It was built in 1987 and expanded in 2001 and 2006. It is located on one of the main thruways in Drummondville and is 77.8% leased. The major tenant is Buropro Produits Bureau.

**2760-2784 Jacques-Cartier East Blvd, Longueuil, Quebec**

A 24,400 square foot retail property situated on 163,768 square feet of land, built in 2006. It is located on Jacques-Cartier East Blvd near the boulevard de Mortagne exit of the Jean-Lesage highway in Longueuil. It is 100.0% leased and has a vast parking lot. Major tenants include Énergie Cardio, La Belle Province and Quizno's.

**2790-2794 Jacques-Cartier East Blvd, Longueuil, Quebec**

A 6,000 square foot retail property situated on 163,768 square feet of land, built in 2006. It is located on Jacques-Cartier East Blvd close to the boulevard de Mortagne exit of the Jean-Lesage highway in Longueuil. It is 100.0% leased and has a vast parking lot. Major tenants include Tutti Frutti and Restaurant Bravi.

**3323 du Carrefour St, Quebec City, Quebec**

A 4,054 square foot retail property situated on 31,823 square feet of land, built in 2006. It is located on du Carrefour St, on the North side of Highway 40. It is 100.0% leased to a Canadian charter bank and has 19 parking spaces.

**4.4.6 INDUSTRIAL AND MIXED-USE PROPERTIES****1990 Cyrille-Duquet St, Quebec City, Quebec**

An 89,596 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 92.1% leased and has 196 outdoor parking spaces. Major tenants include Refac (Westburne), Caractera, JTI McDonald, ADT Sécurité Service and Ascenseurs Thyssen.

**320 de la Canardière, Quebec City, 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 96.1% leased and includes 19 outdoor parking spaces. The biggest tenant is the Centre hospitalier Robert-Giffard.

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

A 61,973 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 98.0% leased and has 87 outdoor parking spaces. Major tenants include Barnabé Meubles (1983) inc. and Fixatech.

**2022 Lavoisier St, Quebec City, Quebec**

A 58,903 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 100.0% leased and has 141 outdoor parking spaces. Major tenants include Crobél, Otis Canada, Radio-Canada, Essilor Canada, KCI Médical and Groupe de services Optimal.



**100 Chabot St, Quebec City, Quebec**

A 59,737 square foot industrial building situated on 109,684 square feet of land. It was built in 1968, expanded in 1986 and renovated in 2004. The building is 100.0% leased to Regroupement des bingos Limoilou, Ville de Québec, Distribution Distrimax and has 94 outdoor parking spaces.

**235 Fortin St, Quebec City, Quebec**

A 26,006 square foot industrial building, situated on 150,000 square feet of land. It was built in 1996. The building is 100.0% leased to Hostess Frito-Lay and has 60 outdoor parking spaces.

**2160 Cyrille-Duquet St, Quebec City, Quebec**

A 44,229 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 59.5% leased and has 71 outdoor parking spaces. Major tenants include Opération Enfants Soleil and SSI 2000.

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

A 32,812 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 100.0% leased and has 64 outdoor parking spaces. Major tenants include Black & Decker Canada, Omron Canada, Nanox and Henry Schein Arcona.

**2020 Cyrille-Duquet St, Quebec City, 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 100.0% leased to Quilles Univers and has 62 outdoor parking spaces.

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

A 48,025 square foot industrial building, situated on 186,194 square feet of land. It was built in 1995. The building is 100.0% leased to Entreprises Industrielles Westburne Ltée and has 110 outdoor parking spaces.

**280 Racine St, Quebec City, 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 100.0% 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 St, Quebec City, 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 100.0% leased and includes 72 outdoor parking spaces. Major tenants include Telav, Entourage Solutions Technologiques and General Motors of Canada.

**2100 Cyrille-Duquet St, Quebec City, 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 87.9% leased and has 76 outdoor parking spaces. The major tenant is Bagel Tradition'l.

***2150 Cyrille-Duquet St, Quebec City, Quebec***

A 22,432 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 100.0% leased. The major tenant is Canon of Canada and the property has 59 outdoor parking spaces.

***2955 Kepler Ave, Quebec City, 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 100.0% leased to Expertise Transport Québec. The tenant's lease provides for a right in favour of the tenant to approve any purchaser of the Property, such consent not to be withheld without just cause.

***4175 Ste-Anne Blvd, Quebec City, 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 76.8% leased and includes 66 outdoor parking spaces. The major tenant is Bingo des Chutes.

***2180 Cyrille-Duquet St, Quebec City, Quebec***

A 20,100 square foot industrial building situated on 50,382 square feet of land. It was built in 1969, expanded in 1984, renovated in 1997 and expanded in 2003. A total of \$425,000 was spent on such renovations. The building is 100.0% leased and has 44 outdoor parking spaces. The tenants are Mobilier International Inc. (furniture store) and Ash Temple Ltd. (Servident).

***5125 Rideau St, 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 100.0% leased to Canpar Transport.

***454-456 Marconi Ave, Quebec City, 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 100.0% leased and has 58 outdoor parking spaces. The major tenant is Axion Sonorisation Éclairage.

***5000 Rideau St, 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 100.0% 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 Ave, 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 100.0% leased and has 65 outdoor parking spaces. Major tenants include Unisource and Ascenseurs Drolet Kone.

**1165 Lomer-Gouin, Quebec City, Quebec**

A 71,627 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 100.0% leased and has 61 outdoor parking spaces. There is also municipal parking in close proximity. Major tenants include Produits Capitale, Asystel, Étiquettes Berco, MS2 Contrôle and Clef du Découpage.

**2006-2010 Lavoisier St, Quebec City, 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 100.0% leased to United Auto Parts and has 87 outdoor parking spaces.

**830 Godin Ave, Quebec City, Quebec**

A 49,112 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 100.0% leased and has 61 outdoor parking spaces. Major tenants include Iron Mountain (archives) and P.E. Fraser.

**2345-2349 Dalton Ave, Quebec City, Quebec**

A 54,232 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 100.0% leased and has 67 outdoor parking spaces. Major tenants include Polycritec, Palmar Automotive and Quanta Énergie.

**2383-2393 Watt Ave, Quebec City, 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 100.0% leased and has 67 outdoor parking spaces. Major tenants include Pâtisserie Dumas, Distribution Silpro, Andlauer Transportation and Radiateur Montréal.

**625 des Canetons St, 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 100.0% leased to United Parcel Services Canada.

**955 St-Jean-Baptiste Ave, 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 100.0% leased. Major tenants include Distribution AG and Location Brossard.

**5130 Rideau St, 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 100.0% leased. Major tenants include Gojit, Toromont, Enertrak and Geyco.

**2755 Dalton Ave, Quebec City, Quebec**

A 23,853 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 100.0% leased. The major tenant is Quincaillerie Richelieu.

**310 Métivier St, Quebec City, Quebec**

A 19,345 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 100.0% leased. Major tenants include Centre Hydraulique GMB and Machinage Usitech.

**955 Pierre-Bertrand Blvd, Quebec City, Quebec**

A 47,654 square foot industrial building, situated on 227,341 square feet of land. It was built in 1995. The building is 100.0% 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 Pierre-Bertrand Blvd, Quebec City, Quebec**

A 38,427 square foot industrial building, situated on 68,524 square feet of land. It was built in 1974 and renovated in 1994. The building is 99.7% leased and has 180 outdoor parking spaces. Major tenants include l'Entrepôt de la Boîte, Piscines et Spas Mont-Joie, Bicycles et Sports G.T.H. and Canada Spas Dépôt.

**2015 Lavoisier St, Quebec City, 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 100.0% leased to Modulaire Plus.

**650 Godin Ave and 460 Desrochers St, Quebec City, Quebec**

A 188,643 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 98.0% leased and the major tenants are Société Immobilière du Québec and L.P.A. Medical.

**625 Godin Ave, Quebec City, Quebec**

A 60,391 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 100.0% leased and has 103 outdoor parking spaces. Major tenants are Messageries Dynamiques, a division of Communications Québecor, Viking Chains and Scelco.

**579 Godin Ave, Quebec City, 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 100.0% leased to BOC Gaz Canada and has 25 outdoor parking spaces.

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

A 128,353 square foot mixed-use building, including 28,511 square foot of office, situated on 327,528 square feet of land. It was built in 1987 and renovated in 1999. The building is 94.5% leased and has 325 outdoor parking spaces. Major tenants include Canada Post Corporation, Télémag 24, Graphiscan, Cantel, Fondation Mira, Cor Active Hightech and Imprimerie Litho-Chic.

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

A 70,812 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 90.7% leased and has 70 outdoor parking spaces. Major tenants include Groupe SPL, Beauvais et Verret, Produits Forestiers CJP and Boulangerie Rondeau.

**445 St-Jean-Baptiste Ave, Québec, Québec**

A 91,795 square foot industrial building, situated on 262,348 square feet of land. It was built in 1986 and expanded in 2003. The building is 100.0% leased and has 110 outdoor parking spaces. Major tenants include Sani Métal, Gentec Électro-optique, Arrow Electronics Canada, ABF Freight Systems Canada, Moteurs Électriques Laval and Rosedale Transport.

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

A 87,033 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 100.0% leased and has 120 outdoor parking spaces. Major tenants include FISO Technologies (Exfo-Ingénierie Electro-Optique), National Bank of Canada, E.B.Q.M. and Gecko Électronique.

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

A 29,989 square foot mixed-use building situated on 88,692 square feet of land. It was built in 1981. The building is 100.0% leased and has 78 outdoor parking spaces. Major tenants include Acousti-Plus and Midbec.

**1670 Semple St, Quebec City, Quebec**

A 89,129 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 96.2% leased and has 225 parking spaces. Major tenants include the Société Immobilière du Québec and the Canadian Broadcasting Corporation.

**1540 Cyrille-Duquet St, Quebec City, 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 100.0% leased to Marco Caravane and has 110 parking spaces.

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

A 75,149 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 100.0% and has 160 parking spaces. Major tenants are Datamark, Primerica, Patterson, Proludik, Telus Mobility, Ricoh Canada, Amants de la Nature and Sico.

**470 Godin Ave, Quebec City, Quebec**

A 22,532 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 100.0% leased to Dolbec Transport and has 28 parking spaces.

**765 Godin Ave, Quebec City, 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 100.0% leased to Tyco International of Canada.

**8288 Pie-IX Blvd, 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 100.0% 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 100.0% 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 100.0% leased to CGI International 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 97.4% leased to Silgan Plastics Canada and Pneutech and has 96 outdoor parking spaces.

**3300 J.B. Deschamps Blvd, 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 100.0% leased to Paquette White.

**9101 des Sciences Blvd, Anjou, Quebec**

A 72,402 square foot industrial and mixed-use building situated on 136,062 square feet of land and built in 2000. The building is 100.0% leased and has 63 outdoor parking spaces. Major tenants include Hibbert Wholesales (1988), Viandes Décarie and Maison de distribution Colac.

**9100 du Parcours Blvd, 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 highway. 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 100.0% leased to Ventrol Air Handling Systems and has 180 parking spaces.

**2600 Jean-Perrin St, 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 highway. 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 100.0% leased and has 201 parking spaces. Major tenants are Société immobilière du Québec and Maburco Québec plomberie chauffage.

**10550 Parkway Blvd, 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. 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 100.0% leased to Équipement de sécurité Arkon and has 170 parking spaces.

**2105 Dagenais West Blvd, 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 within reasonable proximity to Autoroute 440 with easy access to Montreal International Airport-Dorval. The building was built in 1999 and expanded by 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 34.0% leased and has 253 parking spaces. Major tenants include Dura Housewares, MAS Automotive and Yourtruckushop.

**1041 Pierre-Bertrand Blvd, Quebec City, 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. The building was built in 1963 and renovated and expanded in 2002 and is used for warehousing and offices. The warehouse has a 24 foot ceiling height. The building has 200 parking spaces and is 100.0% leased. Major tenants include Sears Canada, Messagerie Beau-Par and Dolbec Transport.

**275 Métivier St, Quebec City, Quebec**

A 38,815 square foot industrial building, situated on 110,000 square feet of land. It was built in 2003. The building is 84.6% leased and has 75 outdoor parking spaces. Major tenants include Vision Audio-visuel, Amalcorp and Centre d'estimation de la Capitale

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

A 53,108 square foot industrial building, situated on 191,254 square feet of land. It was built in 1980. The building is 92.0% leased and has 141 outdoor parking spaces. Major tenants include Groupe Master, Lumen and Enertrak.

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

A 43,471 square foot industrial building, situated on 93,626 square feet of land. It was built in 1980. The building is 100.0% leased and has 41 outdoor parking spaces. Major tenants are Construction Michel Gagnon, Aliments Krispy Kernels, Praxair Distribution and DJS Distribution.

**784-818 Guimond Blvd, Longueuil, Quebec**

A 81,050 square foot industrial building, situated on 234,457 square feet of land. It was built in 1988 and expanded in 2003. The building is 90.0% leased and has 65 outdoor parking spaces. Major tenants include Boiron Canada, Technologie Clemex and Kinecor.

**40 du Tremblay, Boucherville, Quebec**

A 142,805 square foot industrial building, situated on 302,943 square feet of land. It was built in 1991 and expanded in 2006. The building is 100.0% leased to Ikea Wholesale and has 170 outdoor parking spaces.

**1315 Gay-Lussac St, 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 100.0% leased to Produits Packlab and has 48 outdoor parking spaces.

**1675 de Montarville Blvd, 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 100.0% leased to Groupe Master and has 90 outdoor parking spaces.

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

A 33,179 square foot industrial building, situated on 75,654 square feet of land. It was built in 1989. The building is 100.0% leased and has 75 outdoor parking spaces. Major tenants include Boc Canada, Electrical Cable Supply and Aero Chem.

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

A 42,648 square foot industrial building, situated on 142,389 square feet of land. It was built in 1988. The building is 100.0% leased and has 65 outdoor parking spaces. The major tenant is Megalab.

**1405-1453 Bergar St, 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 100.0% leased and has 58 outdoor parking spaces. Major tenants include Imprimerie VDL, Tasfilm and Attaches Richard.

**3370-3418 Industriel Blvd, 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 100.0% leased and has 86 outdoor parking spaces. Major tenants include Surplec, Franklin Supply and Rexel Canada Électrique (Westburne).

**3401-3421 Industriel Blvd, 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 100.0% leased and has 82 outdoor parking spaces. Major tenants include Produits Hydrauliques R.G., ATM PRQ and Équipements Tramac.

**5250 Armand Frappier St, 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 100.0% leased to Hydro-Québec and has 242 outdoor parking spaces.

**300 Métivier St, Quebec City, Quebec**

A 28,708 square foot industrial building situated on 128,963 square feet of land. It was built in 2004. The building is 100.0% leased to Dolbec Transport (1983) and has 33 outdoor parking spaces.

**1775 Léon-Harmel St, Quebec City, Quebec**

A 22,093 square foot industrial building situated on 63,773 square feet of land. It was built in 2004. The building is 100.0% leased to Westburne Wolseley and has 31 outdoor parking spaces.

**3424-3428 Francis-Hugues Ave, 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 50.1% leased and has 33 outdoor parking spaces. The major tenant is Trane Québec.

**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 100.0% leased and has 60 outdoor parking spaces. Major tenants include Intermove Canada (1992), International Paint division of Akzono and Total Logistick Partner (Ocean consolidators).



**330 Avro Ave, Pointe-Claire, Quebec**

A 101,222 square foot industrial and mixed-use building situated on 225,646 square feet of land. It was built in 1991 and expanded in 1998. The building is located west of Boulevard des Sources and south of the Transcanadian Highway in Pointe-Claire. It contains warehouses and offices. It is 100.0% leased to Dynacast Canada and has approximately 215 parking spaces.

**19701 Clark-Graham, Baie d'Urfé, Quebec**

A 162,000 square foot industrial and mixed-use building situated on 383,500 square feet of land. It was built in 1994 and expanded in 1999. The building is located next to the Transcanadian Highway in the Beaconsfield-Baie d'Urfé area. It contains warehouses and offices. It is 100.0% leased to Emballages Alcan Canada and has approximately 200 parking spaces.

**4500-4536 Louis-B.-Mayer, Laval, Quebec**

A 46,740, square foot industrial and mixed-use building part of a three building project known as the "Highway 440 Project". The project is located next to the Highway 440 and is situated on 542,109 square feet of land. The Property is 100.0% leased and major tenants include PH Vitres d'Auto and Fournitures Funéraires Victoriaville.

**2600 Saint-Jean-Baptiste Ave, Quebec City, Quebec**

A 35,295 square foot industrial and mixed-use building part of a three building project known as the "Henri IV Project". It is located next to the Henri IV highway, in Québec City and is situated on 550,424 square feet of land. It is 100.0% leased and major tenants include Telops, Studio Ross and Sinclair Dentaire.

**940 Bergar St, Laval, Quebec**

A 15,000 square foot industrial and mixed-use property situated on 70,001 square feet of land, built in 1987. It is located in an industrial park in Laval, close to the Industriel Blvd and north of highway Laval. It is 100.0% leased to Brite-Lite Maintenance and has a vast parking lot.

**11000 Parkway Blvd, Anjou, Quebec**

A 217,000 square foot industrial and mixed-use property situated on 245,358 square feet of land, built in 1965. It is located at the corner of Parkway Blvd and Jean-René-Ouimet St, in the heart of the Anjou industrial park. It is 100.0% leased and has 75 parking spaces. Major tenants are Relizon Canada and Meubles Concordia.

**4451-4479 Laval Highway West, Laval, Quebec**

A 117,036 square foot industrial and mixed-use property situated on 724,314 square feet of land, built in 2004. It is 83.8% leased and has a vast parking lot. Major tenants are Agence de recouvrement TCR, Câblages informatiques Instacâble, Groupe Cadec, Industrielle Alliance, Mitek Canada, NEKS Technologies and Philippe Dagenais Mobilier Décoration.

**3000 Saint-Jean-Baptiste Ave, Quebec City, Quebec**

A 46,959 square foot industrial and mixed-use building situated on 113,802 square feet of land, built in 2004 and part of the Henri-IV Project. It is located at the intersection of Henri-IV highway and Wilfrid-Hamel Blvd. It is 76.4% leased and has a vast parking lot. The main tenant is Société de gestion informatique Sogique.

**2800 Saint-Jean-Baptiste Ave, Quebec City, Quebec**

A 103,140 square foot industrial and mixed-use building situated on 336,630 square feet of land, built in 2004 and part of the Henri-IV Project. It is located at the intersection of Henri-IV highway and Wilfrid-Hamel Blvd. It is 87.2% leased and

has a vast parking lot. Major tenants include Coveo Solution, Desjardins Groupe d'Assurances générales, Dr. Yves Bélanger and Dr. Marc Bureau, Jardin Mobile, Pétroles Irving, Mission-HGE, Siemens and Travaux publics Canada.

***20 Hymus Blvd, Montreal, Quebec***

A 50,413 square foot industrial and mixed-use property situated on 176,591 square feet of land, built in 1987. It is located on Hymus Blvd, in the Pointe-Claire industrial park. It is currently not leased.

***2156-2168 de la Province St, Longueuil, Quebec***

A 39,408 square foot industrial and mixed-use building situated on 198,352 square feet of land, built in 1990. It is located on de la Province St in the Vieux-Longueuil industrial park. It is 72.8% leased and has a vast parking lot. Major tenants are Futech Hitec, Keystone Manufacturing Plastics, Liquidation Choc and Style et Papier.

***2170 de la Province St, Longueuil, Quebec***

A 22,572 square foot industrial and mixed-use building situated on 198,352 square feet of land, built in 1990. It is located on de la Province St in the Vieux-Longueuil industrial park. It is 100.0% leased to Hydro-Québec.

***715 Delage St, Longueuil, Quebec***

A 42,462 square foot industrial and mixed-use building situated on 198,352 square feet of land, built in 1990. It is located on de la Province St in the Vieux-Longueuil industrial park. It is 100.0% leased and has a vast parking lot. Major tenants include C.E.L. Équipement d'essai aérospatial, L.E.M. Technologies, Reliure Rive-Sud and SID Distribution.

***6445 Côte-de-Liesse, Montreal, Quebec***

A 49,546 square foot industrial and mixed-use building situated on 91,192 square feet of land, built in 1980 and expanded in 1999. It is located on the North side of chemin Côte-de-Liesse in the Saint-Laurent industrial park. It is 100.0% leased to SE CE Appareil.

***120 New-York St, St-Augustin-de-Desmaures, Quebec***

A 34,030 square foot industrial and mixed-use building situated on 245,507 square feet of land, built in 2006. It is located on New-York St in the Saint-Augustin industrial park. It is 100.0% leased to Équipement Fédéral.

***275 St-Sacrement, Quebec City, Quebec***

A 66,479 square foot industrial and mixed-use building situated on 193,017 square feet of land, built in 1949, and renovated and expanded in 2006. It is currently under development.

***2900-2976 Joseph-A.-Bombardier, Laval, Quebec***

This industrial and mixed-use building is the third building forming part of the « Highway 440 Project ». It has 104,305 square feet of leasable space and is currently under development.

***3025 Joseph-A.-Bombardier Laval, Quebec***

This industrial and mixed-use property is the fourth building forming part of the « Highway 440 Project ». It has 80,000 square feet of leasable space and is currently under development.

## 4.5 HYPOTHECS AND DEBENTURES

### 4.5.1 HYPOTHECS

The Portfolio of the REIT is conservatively leveraged, with predominantly fixed rate debt. The weighted average interest rate pursuant to the Hypothecs is approximately 6.24% per annum and the weighted average term to maturity of the Hypothecs is approximately 4.91 years.

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

<b>Properties</b>	<b>Balance as at December 31, 2006</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<b><u>HYPOTHECS – FIXED RATE</u></b>			
Place de la Cité — 2590-2640 Laurier Blvd, Quebec City	\$85,235,296	6.15%	April 2008
<b><u>OFFICE BUILDINGS</u></b>			
150 René-Lévesque East Blvd, Quebec City.....	\$10,104,994	5.79%	February 2007
8500 Décarie Blvd, Mount-Royal.....	\$19,691,889	7.04%	May 2007
979 de Bourgogne Ave, Quebec City.....	\$2,343,796	5.68%	January 2008
1265 Charest West Blvd, Quebec City.....	\$5,850,600	6.00%	January 2008
3400 Jean-Béraud Ave, Laval .....	\$10,077,371	7.46%	October 2012
5073-75-79, Wilfrid-Hamel West Blvd, Quebec City.....	\$2,014,344	5.83%	July 2021
<b>Sub-total</b>	<b>\$50,082,994</b>		
<b><u>COMMERCIAL BUILDINGS</u></b>			
1285-1297 Charest West Blvd, Quebec City .....	\$1,755,180	6.00%	January 2008
1275 Charest West Blvd, Quebec City.....	\$2,145,220	6.00%	January 2008
2101-2137 Curé-Labelle Blvd, Laval.....	\$5,773,296	6.85%	December 2012
1479-81-83-85 St-Bruno Blvd, St-Bruno-de-Montarville....	\$12,062,322	6.94%	January 2019
800 Claude-Jutras Blvd, St-Bruno-de-Montarville .....	\$2,972,268	5.72%	January 2019
5600 de la Rive-Sud Blvd, Lévis.....	\$755,537	5.83%	July 2021
325 du Marais St, Quebec City.....	\$5,062,095	5.83%	July 2021
3000 Saint-Jean-Baptiste Ave, Quebec City.....	\$3,324,361	5.83%	July 2021
355 du Marais Street, Quebec City .....	\$2,685,792	5.83%	July 2021
2600 Saint-Jean-Baptiste Ave, Quebec City.....	\$2,685,792	5.83%	July 2021
<b>Sub-total</b>	<b>\$39,221,863</b>		
<b><u>INDUSTRIAL AND MIXED-USE BUILDINGS</u></b>			
955 Saint-Jean-Baptiste Ave, Quebec City.....	\$661,914	5.76%	July 2007
2100 Cyrille-Duquet St, Quebec City .....	\$548,708	5.76%	July 2007
2700 Jean-Perrin St, Quebec City.....	\$2,650,832	5.76%	July 2007
1540 Cyrille-Duquet St, Quebec City .....	\$548,708	5.76%	July 2007
450 Saint-Jean-Baptiste Ave, Quebec City.....	\$910,810	5.76%	July 2007
1670 Sempie St, Quebec City .....	\$1,538,736	5.76%	July 2007
2500 Jean-Perrin St, Quebec City.....	\$1,521,808	5.76%	July 2007
2600 Jean-Perrin St, Quebec City.....	\$1,114,476	5.76%	July 2007
9100 du Parcours Blvd, Anjou .....	\$3,729,071	5.76%	July 2007
1405-1475 55 <sup>e</sup> Avenue, Dorval.....	\$2,290,090	6.84%	July 2007
5250 Armand-Frappier St, St-Hubert .....	\$1,981,036	5.99%	November 2007
1475 32 <sup>e</sup> Avenue Lachine.....	\$3,120,320	6.00%	January 2008
1075 des Basses-Terres, Quebec City .....	\$1,560,160	6.00%	January 2008

<b>Properties</b>	<b>Balance as at December 31, 2006</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
235 Fortin St, Quebec City .....	\$975,100	6.00%	January 2008
1041 Pierre-Bertrand Blvd, Quebec City .....	\$2,656,302	5.68%	January 2008
1315 Gay Lussac St, Boucherville .....	\$1,093,771	5.68%	January 2008
40 chemin Tremblay, Boucherville .....	\$2,500,049	5.68%	January 2008
2325 de la Province, Boucherville .....	\$1,093,771	5.68%	January 2008
901-937 Michelin St, Laval .....	\$937,518	5.68%	January 2008
3370-3418 Industriel Blvd, Laval .....	\$1,562,530	5.68%	January 2008
3401-3421 Industriel Blvd, Laval .....	\$1,406,277	5.68%	January 2008
1405-1453 Bergar St, Laval.....	\$937,518	5.68%	January 2008
894-930 Bergar St, Laval.....	\$1,093,771	5.68%	January 2008
1165 Lomer-Gouin St, Quebec City .....	\$1,365,140	6.00%	January 2008
280 Racine St, Quebec City .....	\$780,080	6.00%	January 2008
1675 Montarville Blvd, Longueuil.....	\$1,950,200	6.00%	January 2008
10550 Parkway Blvd, Anjou.....	\$2,067,639	9.13%	January 2012
330 Avro St, Pointe-Claire .....	\$2,831,374	8.35%	March 2013
2105 Dagenais West Blvd, Laval.....	\$4,014,686	6.79%	May 2014
5130 Rideau St, Quebec City .....	\$1,057,751	5.83%	July 2021
2150 Cyrille-Duquet St, Quebec City .....	\$1,057,751	5.83%	July 2021
100 Chabot St, Quebec City .....	\$1,511,073	5.83%	July 2021
625 des Canetons St, Quebec City .....	\$1,208,859	5.83%	July 2021
650 Godin Ave, Quebec City .....	\$8,537,564	5.83%	July 2021
5275 Wilfrid-Hamel West Blvd, Quebec City .....	\$1,284,412	5.83%	July 2021
4500 Louis-B. Mayer St, Laval .....	\$2,115,503	5.83%	July 2021
1515 Saint-Jean-Baptiste Ave, Quebec City.....	\$2,685,792	5.83%	July 2021
2180 Cyrille-Duquet St, Quebec City .....	\$895,264	5.83%	July 2021
4175 Ste-Anne Blvd, Quebec City.....	\$1,119,080	5.83%	July 2021
4975 Rideau St, Quebec City .....	\$1,566,712	5.83%	July 2021
2755 Dalton Ave, Quebec City .....	\$820,659	5.83%	July 2021
1775 Léon-Harmel St, Quebec City .....	\$969,869	5.83%	July 2021
8288 Pie-IX, Montreal .....	\$4,550,925	5.83%	July 2021
3424-3428 Francis-Hugues Ave, Laval .....	\$746 053	5.83%	July 2021
667-687 Giffard St, Longueuil.....	\$1 865 133	5.83%	July 2021
19701 Clark-Graham Ave, Baie d'Urfé.....	<u>\$7 833 559</u>	5.83%	July 2021
<b>Sub-Total</b>	<b>\$89,268,357</b>		

<b>Properties</b>	<b>Balance as at December 31, 2006</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<b><u>HYPOTHECS – FLOATING INTEREST RATE</u></b>			
50 du Président-Kennedy, Lévis.....	<u>\$6,840,000</u>	6.50%	March 2007
<b>Sub-Total</b>	<b>\$6,840,000</b>		
<b>TOTAL HYPOTHECS</b>	<b>\$270 648 510</b>		

The following table summarizes the capital reimbursements, including balances upon maturity, of the Hypothecs as at December 31, 2006:

<b>Debt Maturities <sup>(1) (2)</sup></b>				
	<b>Office</b>	<b>Retail</b>	<b>Industrial and Mixed-use</b>	<b>Total</b>
2007 .....	\$39,564,671	\$2,285,594	\$19,624,966	\$61,475,231
2008 .....	\$61,877,422	\$33,605,345	\$23,463,509	\$118,946,276
2009 .....	\$672,863	\$1,189,808	\$1,420,247	\$3,282,918
2010 .....	\$723,457	\$1,270,348	\$1,523,191	\$3,516,996
2011 .....	\$777,864	\$1,356,370	\$1,633,843	\$3,768,077
After 2011 .....	\$8,709,659	\$29,346,752	\$41,602,601	\$79,659,012
Weighted Average Interest Rate on Hypothecs .....	6.39%	6.25%	6.04%	6.24%
Weighted Average Term to Maturity on Hypothecs .....	2.81 years	4.84 years	7.56 years	4.91 years
<b>Notes:</b>				
(1) The Place de la Cité loan was allocated by Management, based on the value of Place de la Cité, as follows: 65% for the office properties and 35% for the retail properties.				
(2) As at December 31, 2006, Cominar's indebtedness stood at 45.6% of gross book value.				

#### 4.5.2 DEBENTURES

During the course of the year ended December 31, 2004, Cominar issued an aggregate principal amount of \$100 million of Convertible Debentures bearing interest at the annual rate of 6.30%. This issue enabled Cominar to protect more than a third of its debt against potential increases in interest rates for the next 10 years. As at December 31, 2006, outstanding Convertible Debentures amounted to \$43.2 million.

## 5. CAPITALIZATION

The following table shows the REIT's capitalization as at December 31, 2006.

<b>Capitalization</b>	<b>As at December 31, 2006 (000 \$)</b>
Hypothecs	270,649
Debentures	<u>43,239</u>
TOTAL LONG-TERM DEBT	313,888
Market Capitalization <sup>(1)</sup>	<u>823,508</u>
TOTAL CAPITALIZATION	1,137,396
LONG-TERM DEBT AS A % OF CAPITALIZATION	27.6%
<b>Note:</b>	
(1) Based on 36,600,361 Units outstanding and a Unit price of \$22.50	

## 6. NON-COMPETITION AGREEMENT

### 6.1 GENERAL

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

### 6.2 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, may 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.

### 6.3 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.

The late Jules Dallaire, Messrs. 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 the late Jules Dallaire, Messrs. 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. Michel Dallaire or his spouse (so long as he has an active role in the management of the REIT) shall entitle the compensation 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 committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses.

### 6.4 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.

## **7. RISK FACTORS**

The activities of the REIT and an investment in Units or Debentures involve certain risks. Investors should carefully consider, in light of their own financial circumstances, the factors set out below as well as other information contained or incorporated by reference in this AIF.

### **7.1 RISK FACTORS RELATED TO THE BUSINESS OF THE REIT**

#### **7.1.1 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 two geographical areas.

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The REIT's income and Distributable Income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as a 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 REIT's 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 its 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's properties have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the REIT's portfolio which could be affected and operating revenues derived therefrom are not significant.

Expiries of leases for the REIT's properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurances can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

#### **7.1.2 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 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.

#### **7.1.3 ACQUISITIONS**

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

#### **7.1.4 ACCESS TO CAPITAL**

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurances that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. In addition, the REIT may not be able to borrow funds under its credit facilities due to the limitations on the incurrence of debt by the REIT set forth in the Contract of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

#### **7.1.5 DEPENDENCE ON KEY PERSONNEL**

The management of the REIT depends on the services of certain key personnel, including Mr. Michel Dallaire, President and Chief Executive Officer of the REIT. The loss of the services of any key personnel could have a material adverse effect on the REIT.

#### **7.1.6 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 corporation and partnerships comprising the Dallaire Group and the late Jules Dallaire, Messrs. Michel Dallaire and Alain Dallaire, which permits to resolve certain potential conflicts of interest.

#### **7.1.7 GENERAL UNINSURED LOSSES**

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

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and borrowers may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact the REIT's financial condition and results of operation and decrease the amount of cash available for distribution.

#### **7.1.8 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 its 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 governmental agencies. Notwithstanding the above, the REIT is not aware of any material non-compliance, liability or other claim in connection with any of its 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.

#### **7.1.9 LIMIT ON ACTIVITIES**

In order to maintain its status as a “mutual fund trust” under the Tax Act, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

## **7.1.10 RISKS RELATING TO THE ACQUISITION OF ALEXIS NIHON PROPERTIES**

### **7.1.10.1 Closing of the Acquisition**

The closing of the acquisition (the "Acquisition") of the Alexis Nihon Properties is subject to the satisfaction or waiver of certain conditions, including Homburg acquiring not less than 100% of the units of Alexis Nihon by August 31, 2007 (the "Outside Date").

Certain consents of hypothecary and secured creditors are also required in connection with the transfer of the Alexis Nihon Properties to the REIT. In addition, the consent of co-owners are required in connection with the transfer of certain of the Alexis Nihon Properties to the REIT. There is no assurance that such consents will be obtained.

Each of Homburg and the REIT's obligations to complete the Acquisition are also subject to obtaining certain regulatory approvals. A substantial delay in obtaining such regulatory approvals, the failure to do so or the imposition of unfavourable terms or conditions could have a material adverse effect on the Acquisition.

The REIT intends to consummate the Acquisition as soon as practicable after such conditions are met. However, the REIT has no control over whether or not the conditions will be met or whether Homburg completes its acquisition of Alexis Nihon and there is no assurance that such conditions to the closing of the Acquisition will be satisfied by the Outside Date or at all.

### **7.1.10.2 Unexpected Costs or Liabilities Related to the Acquisition**

Although the REIT conducted what it believes to be a prudent and thorough level of investigation in connection with the Acquisition, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, the Alexis Nihon Properties. Following the Acquisition, the REIT may discover that it has acquired substantial undisclosed liabilities. The REIT will not be able to claim indemnification from Homburg, as it will purchase the Alexis Nihon Properties from Homburg on an "as is, where is" basis. The existence of any undisclosed liabilities and the REIT's inability to claim indemnification from Homburg could have a material adverse effect on the REIT.

### **7.1.10.3 Integration Related Risks**

To effectively integrate the Alexis Nihon Properties into its current portfolio, the REIT must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to the Alexis Nihon Properties. This will require substantial attention from the REIT's management team. This diversion of management attention, as well as any other difficulties which the REIT may encounter in completing the transition and integration process, could have a material adverse impact on the REIT. The Purchase Agreement provides that the REIT and Homburg will enter into a transition services agreement pursuant to which Homburg will provide certain services to the REIT to assist in the transition of the Alexis Nihon Properties. There can be no assurance, however, that the REIT will be successful in integrating the Alexis Nihon Properties, or that the expected benefits of the Acquisition will be realized.

### **7.1.10.4 Dependence on Key Personnel**

Certain key personnel of Alexis Nihon will be retained by the REIT following completion of the Acquisition to assist with the integration and transition of the Alexis Nihon Properties. The failure of key personnel to remain as part of the management team of the REIT in the period following closing of the Acquisition, could have a material adverse effect on the REIT.

## **7.2 RISK FACTORS RELATED TO THE OWNERSHIP OF UNITS AND DEBENTURES**

### **7.2.1 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 initial appraisal of the value of its properties or the value of such properties from time to time.

Whether or not the Debentures will trade at lower prices depends on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and the REIT's financial condition, historic financial performance and future prospects.

Although the REIT intends to make distributions of its available cash to Unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including, but not limited to, the REIT's financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the Units may deteriorate if the REIT is unable to meet its cash distribution targets in the future.

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.

### **7.2.2 STRUCTURAL SUBORDINATION OF UNITS AND DEBENTURES**

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the REIT and those subsidiaries before any assets are made available for distribution to the Unitholders and Debentureholders. The Units and Debentures will be effectively subordinated to most of the other indebtedness and liabilities of the REIT and its subsidiaries. Neither the REIT, nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured indebtedness.

### **7.2.3 CREDIT RISK AND PRIOR RANKING INDEBTEDNESS: ABSENCE OF COVENANT PROTECTION**

The likelihood that Debentureholders will receive payments owing to them under the terms of the Debentures will depend on the financial health of the REIT and its creditworthiness. In addition, the Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all the REIT's existing and future senior indebtedness (as defined in the Indenture). Therefore, if the REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the REIT's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of the REIT's subsidiaries except to the extent the REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Indenture does not prohibit or limit the ability of the REIT or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions, except, in respect of distributions, where an Event of Default (as defined in the Indenture) has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect Debentureholders in the event of a future leveraged transaction involving the REIT.

#### **7.2.4 CONVERSION FOLLOWING CERTAIN TRANSACTIONS**

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a Unitholder in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if the REIT were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the REIT's future prospects and other factors.

#### **7.2.5 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 any such covenants.

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

However, in conducting its affairs, the REIT will be acquiring immovable property investments, 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 Québec 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 assumed hypothecs that 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 are such that most of its obligations 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.

#### **7.2.7 STATUS FOR TAX PURPOSES AND INVESTMENT ELIGIBILITY**

Cominar currently qualifies as a mutual fund trust for income tax purposes. The REIT is required by its Contract of Trust to annually distribute all of its taxable income to Unitholders and thus is generally not subject to tax on such amount. In order to maintain its current mutual fund status, the REIT is required to comply with specific restrictions regarding its activities and the investments held by it. If it were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

On December 21, 2006, the Minister of Finance (Canada) released draft legislation, a revised version of which was issued on March 27, 2007 (the "Proposals"), relating to the federal income taxation of publicly-traded trusts (such as income trusts and REITs) and partnerships. The Proposals are contemplated to apply to a publicly-traded trust that is a specified investment flow-through entity (a "SIFT") which existed before November 1, 2006 ("Existing Trust") commencing with taxation years ending in or after 2011 (other than those Existing Trusts which qualify for the REIT Exception as described below).

Certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital will not be subject to this tax. There will be circumstances where an Existing Trust may lose its transitional relief where the Existing Trust undergoes "undue expansion".

The new taxation regime will not apply to certain Existing Trusts that qualify as REITs (the "REIT Exception") as defined in the Proposals. Accordingly, unless the REIT Exception is applicable to Cominar, the Proposals could, commencing in 2011, impact the level of cash distributions which would otherwise be made by Cominar. The Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including Cominar, may likely find difficult to satisfy or which remain to be verified. The Minister's stated intention is to exempt REITs from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". The March 27, 2007 version of the Proposals corrected certain problems with the proposed rules, but other matters remain to be verified. Accordingly, it is possible that further changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs, including Cominar. Existing Canadian REITs, including Cominar, may need to restructure their affairs in order to limit the application of the Proposals.

#### **7.2.8 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. Additional Units may also be issued pursuant to the DRIP, the Unit Option Plan and any other incentive plan of the REIT, and upon conversion of the Debentures and Units issuable to the Debenture Trustee (as defined in the Indenture) in payment of interest on Debentures. Any issuance of Units may have a dilutive effect on the Unitholders. The REIT intends to finance the Acquisition by a combination of debt and a new equity offering.

### 7.2.9 RESTRICTIONS ON CERTAIN UNITHOLDERS AND LIQUIDITY OF UNITS

The Contract of Trust imposes restrictions on non-resident Unitholders who are prohibited from beneficially owning more than 49% of the Units. These restrictions may limit the rights of certain Unitholders, including non-residents of Canada, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Securities from certain Unitholders and thereby adversely affect the liquidity and market value of the Securities held by the public. Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of distributions by the REIT. The REIT withholds such taxes as required by the Income Tax Act and the Tax Proposals and remits such payment to the tax authorities on behalf of the Unitholder. The Budget Proposals contain measures to subject to Canadian non-resident withholding tax certain otherwise non-taxable distributions of Canadian mutual funds to non-resident Unitholders. This may limit the demand for Units and/or Debentures and thereby affect their liquidity and market value.

### 7.2.10 CASH DISTRIBUTIONS ARE NOT GUARANTEED

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and its Subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from anchor tenants and capital expenditure requirements. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

### 7.2.11 NATURE OF INVESTMENT

A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Contract of Trust. There is no statute governing the affairs of the REIT equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporation in various circumstances.

## 8. DISTRIBUTIONS

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.

### 8.1 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 Income 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.

## 8.2 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 Income 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.

## 8.3 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.

## 8.4 TAX DEFERRAL ON 2006 DISTRIBUTIONS

The distributions made by the REIT to Unitholders in 2006 were tax-deferred at 40.1% by reason of the REIT's ability to claim capital cost allowance and certain other deductions. 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.

## 8.5 PRIOR DISTRIBUTIONS

The following table shows the distributions per unit made to unitholders for the three years ended December 31, 2006:

Year	Distribution per Unit (\$)
2006	1.230
2005	1.210
2004	1.178

## 9. CAPITAL STRUCTURE

### 9.1 GENERAL DISPOSITION

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. As at December 31, 2006, there were 36,600,361 Units outstanding. 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 are issued in registered form, are 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.

## 9.2 RESTRICTION ON THE ISSUE AND TRANSFER OF UNITS

The Contract of Trust imposes certain restrictions to non-residents of Canada, who may not be the beneficial owners of more than 49% of units. See "Restrictions on Certain Unitholders and Liquidity of Units".

## 9.3 CREDIT RATING

Dominion Bond Rating Service ("DBRS") has established the stability rating of the REIT at STA-3 (low). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

DBRS credit ratings are listed on a rating scale which represents an indication of both the stability and sustainability of the income fund's distributable income. Ratings range from STA-1, being the highest rating, to STA-7, being the lowest rating. In addition, DBRS further separates the ratings into "high", "middle" and "low" subcategories. Ratings take into consideration seven main factors: (1) sector characteristics; (2) asset quality; (3) financial flexibility; (4) diversification; (5) size and market position; (6) sponsorship/governance; and (7) growth.

The credit rating STA-3 is the third ranking category out of seven granted by DBRS with respect to income funds. According to DBRS, this rating category reflects good distributions per unit stability and sustainability.

## 10. 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 that 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.



## 11. MARKET FOR SECURITIES OF THE REIT

### 11.1 MARKET FOR UNITS

The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol "CUF.UN". The following table sets forth the market price range, in Canadian dollars, and trading volumes of the REIT's Units on the Toronto Stock Exchange for each month of the most recently completed financial year.

<b>Fiscal Year ended December 31, 2006</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Trading Volumes</b>
January	19.60	18.90	679,150
February	19.50	18.90	1,039,296
March	20.28	19.10	1,316,988
April	20.34	19.40	1,565,807
May	19.80	18.90	556,645
June	19.90	19.09	902,083
July	19.71	18.98	973,878
August	20.99	19.10	1,586,635
September	21.25	20.25	796,192
October	20.93	20.10	1,242,382
November	24.17	18.65	1,463,814
December	22.79	22.14	3,638,498

### 11.2 MARKET FOR DEBENTURES

The Debentures are listed and posted for trading on the Toronto Stock Exchange under the symbol "CUF.DB". The following table sets forth the market price range, in Canadian dollars, and trading volumes of the REIT's Debentures for each month of the year ended December 31, 2006.

<b>Fiscal Year ended December 31, 2006</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Trading Volumes (in 000)</b>
January	113.22	109.12	1,534
February	111.15	107.06	745
March	115.99	109.87	2,288
April	116.00	111.60	2,327
May	113.11	108.00	1,372
June	113.50	109.27	1,331
July	113.00	108.82	954
August	118.45	109.58	9,702
September	121.20	114.69	4,305
October	119.03	113.64	1,581
November	131.00	117.00	1,871
December	130.30	123.04	866

## 12. TRUSTEES AND MANAGEMENT OF THE REIT

### 12.1 INFORMATION CONCERNING TRUSTEES

The following table sets forth the name of each current Trustee, the positions and offices within the REIT currently held by them, their principal occupations and their employment during the last five years, the period during which each served as Trustee 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 16, 2007:

Name, Municipality of residence And office	Principal occupation	Period during which served as a Trustee	Number of Units beneficially owned or over which control or direction is exercised <sup>(1)</sup>
<b>Robert Després, O.C., G.O.Q.</b> <sup>(2) (10)</sup> Québec (arrondissement de la Cité) Independent Trustee	Chairman of the Board Director of various companies	1998-	16,500
<b>Michel Dallaire, P.Eng.</b> Québec (arrondissement Beauport) (Québec) AM Total Investments Trustee, President and Chief Executive Officer of the REIT	President and Chief Executive Officer of the REIT	1998-	7,298,285 <sup>(11)</sup>
<b>Me Michel Paquet</b> <sup>(3)</sup> 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-	7,211,834 <sup>(11)</sup>
<b>Alain Dallaire</b> <sup>(4)</sup> Lac Beauport (Québec) AM Total Investments Trustee, Executive Vice- President, Leasing and Commercial Operations	Executive Vice-President, Leasing and Commercial Operations of the REIT	2006-	7,215,062 <sup>(11)</sup>
<b>Pierre Gingras</b> <sup>(5)</sup> Ste-Pétronille, Ile d'Orléans (Québec) AM Total Investments Trustee	President of Placements Moras inc., a personal holding company, director of Desjardins Sécurité Financière, a life insurance company	1998-	92,131 <sup>(12)</sup>
<b>Yvan Caron</b> <sup>(6)</sup> Québec (arrondissement Limoilou) (Québec) Independent Trustee	Consultant	1998-	Nil
<b>Me Gérard Coulombe, Q.C.</b> <sup>(7) (10)</sup> Sainte-Marthe (Vaudreuil) (Québec) Independent Trustee	Senior partner with Desjardins Ducharme, Montreal. Chairman of the Board since February 2000	2007-	1,140
<b>Dino Fuoco, CMA, FCMA</b> <sup>(8) (10)</sup> Boucherville (Québec) Independent Trustee	President of Équipements vétérinaires Matvet inc., president of La Société financière Opal inc., a personal holding company	2006-	Nil
<b>Ghislaine Laberge</b> <sup>(9)</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-	Nil

**NOTES :**

- (1) Individual Trustees have furnished information as to the Units beneficially owned by them or over which they exercise control or direction.
- (2) Mr. Robert Després was appointed Chairman of the Board on November 1, 2006 and replaced Mr. Jules Dallaire who passed away on August 15, 2006. On March 13, 2007, he resigned as Chairman of the Audit Committee and was appointed Chairman of the Nominating and Corporate Governance Committee. He remains a member of the Audit Committee.
- (3) On March 13, 2007, Mr. Michel Paquet resigned as a member of the Nominating and Corporate Governance Committee.
- (4) Mr. Alain Dallaire was appointed Trustee on November 1, 2006 and replaced Mr. Jules Dallaire who passed away on August 15, 2006.
- (5) On March 13, 2007, Mr. Pierre Gingras resigned as Independent Trustee and replaced Mr. Michel Berthelot, who resigned on the same date, as an AM Total Investments Trustee. He resigned as member of the Audit Committee and was appointed Chairman of the Investment Committee on March 13, 2007.
- (6) On March 13, 2007, Mr. Yvan Caron was appointed Chairman of the Compensation Committee and member of the Investment Committee. He remains a member of the Audit Committee.
- (7) On March 13, 2007, Mr. Gérard Coulombe was appointed Trustee and member of the Compensation and Nominating and Corporate Governance Committees.
- (8) On November 1, 2006, Mr. Dino Fuoco was appointed Trustee and replaced Mr. Richard Marion who resigned on the same date. On March 13, 2007, he was appointed Chairman of the Audit Committee and member of the Investment Committee.
- (9) On March 13, 2007, Ms. Ghislaine Laberge was appointed member of the Compensation and Nominating and Corporate Governance Committees.
- (10) Will hold office as a Trustee for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 2007.
- (11) Comprises 6,849,000 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 CFA and 357,000 Units are held by Fiducie testamentaire Jules Dallaire. The shares of CFA are owned by the children of the late Jules Dallaire, including Michel Dallaire, and related family trusts.
- (12) Comprises 16,131 Units held by Placements Moras inc.

The mandate of Michel Dallaire, Alain Dallaire, Michel Paquet and Pierre Gingras will end when their respective successors are duly elected or appointed by the Dallaire Group.

Each of the Trustees listed above has held his or her principal occupation for the five preceding years, except for Dino Fuoco who, from September 2001 to 2003, was Executive Vice President and Chief Financial Officer of Société Générale de Financement du Québec and who has been, since September 2003, President of La Société Financière Opal Inc. and since August 2006, President of Équipements vétérinaires Matvet Inc.

In April 2005, Michel Dallaire was appointed Chief Executive Officer of the REIT, in replacement of Jules Dallaire. He was previously Chief Operating Officer of the REIT.

## 12.2 INFORMATION CONCERNING NON-TRUSTEE OFFICERS

Non-Trustee Officer	Office with the REIT	Province of Residence and Country
Michel Berthelot	Executive Vice-President and Chief Financial Officer	Quebec, Canada
Michel Ouellette	Executive Vice-President, Acquisitions and Development	Quebec, Canada
René Bérubé	Vice-President, Industrial and Commercial Properties	Quebec, Canada
Robert Larivière	Vice-President, Construction	Quebec, Canada
Louis Bolduc	Vice-President, Development Montreal	Quebec, Canada
Michel Leclerc	Vice-President, Building Operations	Quebec, Canada

During the past five years, each of the non-trustee officers of the REIT has been engaged in his present principal occupation or in other executive capacities for the REIT, except for Michel Leclerc, who joined Cominar in March 2007 as Vice-President, Building Operations and who was previously Director of Equipment Services at the Commission scolaire Beauce-Etchemin.

As at February 28, 2007, management of the REIT and the Trustees owned beneficially or exercised control or direction over 7,456,194 Units, or approximately 20% of the issued and outstanding Units.

## 12.3 INDEPENDENCE

The REIT considers that the Independent Trustees are independent within the meaning of National Policy and National Instrument 58-101 with respect to disclosure of corporate governance practises and that the members of the Audit Committee are independent within the meaning of Regulation 52-110 respecting Audit Committees. The Trustees appointed by the Dallaire Group are not considered independents.

## 12.4 AUDIT COMMITTEE

### 12.4.1 GENERAL PROVISIONS

The REIT has an Audit Committee which currently consists of Messrs. Dino Fuoco (Chairman), Yvan Caron and Robert Després. All the members of the Audit Committee are Independent Trustees and are considered “independent” and “financially literate” within the meaning of Multilateral Instrument 52-110 with respect to Audit Committees. Mr. Fuoco is a Fellow member of the Corporation des Comptables en Management Accrédités du Québec, Mr. Després is a member of the Canadian Certified General Accountants of Quebec and Yvan Caron is the former President of the Fédération des Caisses populaires Desjardins de Québec.

### 12.4.2 MANDATE OF THE AUDIT COMMITTEE

The mandate of the Audit Committee is to assist the Board of Trustees of the REIT in fulfilling its oversight responsibilities. As such, the Audit Committee reviews the financial reporting process, the system of internal controls, the management of financial risks, the audit process and the REIT's process for monitoring compliance with laws and regulations and its own general policies. The Committee maintains effective working relationships with the Board of Trustees, management and external auditors. The mandate of the Audit Committee is attached hereto as Schedule “A”.

### 12.4.3 EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its annual and interim financial statements.

Name of Audit Committee Member	Relevant Education and Experience
Dino Fuoco, CMA, FCMA	Mr. Fuoco is a member of the Corporation des Comptables en Management Accrédités du Québec and is also a Fellow member of this Corporation. Mr. Fuoco serves as director of several public companies and as Chairman of a number of Audit Committees. Mr. Fuoco presently chairs the Audit Committee of the REIT.
Robert Després, O.C., G.O.C.	Mr. Després is a member of the Canadian Certified General Accountants of Québec. Mr. Després serves as director of several public companies and as Chairman and member of audit committees.
Yvan Caron	Mr. Caron has held senior positions with Caisses populaires Desjardins de Québec. Mr. Caron served as President of the Fédération des caisses populaires Desjardins de Québec and as Executive Vice-President of Place Desjardins inc.

Each of the Audit Committee members therefore understands the accounting principles used by the REIT to prepare its financial statements and has the capacity to generally assess the application of the accounting principles related to the accounting of estimates, accounts receivable, accounts payable and reserves. Messrs. Fuoco, Després and Caron all have experience in the preparation, audit, analysis and assessment of financial statements containing accounting issues of a generally similar scope and complexity as can reasonably be expected to be raised by the REIT's financial statements. Messrs. Fuoco, Després and Caron also understand internal controls and disclosure controls and procedures.

#### 12.4.4 EXTERNAL AUDITOR SERVICE FEES

The following table shows fees paid to Ernst & Young LLP in the past two fiscal years for various services provided to the REIT :

	Year ended December 31, 2006 (\$)	Year ended December 31, 2005 (\$)
Audit Fees	79,970	78,000
Audit – Related Fees	8,700	5,420
Audit – Operating Expenses	3,900	8,900
Other Fees	<u>160,296</u>	<u>---</u>
<b>TOTAL :</b>	<b>252,866</b>	<b>92,320</b>

#### Audit Fees

These fees include professional services rendered by the external auditors for statutory audits of the annual financial statements.

#### Audit – Related Fees

These fees include professional services for consultation services during the statutory audits or interim reviews.

#### Audit – Operating Expenses

These fees include professional services for audits of the operating expenses of certain properties in accordance with leases in place for such properties

#### Other Fees

These fees include the total fees paid to the auditors for services other than those presented in the preceding categories, including fees incurred in connection with the REIT's offer for all outstanding units of Alexis Nihon and the reviews of internal controls.

#### 12.4.5 PROCEDURES FOR THE ENGAGEMENT OF AUDIT AND NON-AUDIT SERVICES

The Audit Committee may engage advisors if it deems it necessary in the exercise of its functions, and fix and pay their remuneration. However, if the amount exceeds \$40,000 during a given year, the Committee must obtain the prior authorization of the Board of Trustees.

#### 12.5 CEASE TRADE ORDERS AND BANKRUPTCIES

To the knowledge of the REIT and based on the information furnished by the Trustees and executive officers, no Trustee or executive officer:

- a) is, as at the date of this annual information form:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.
- c) has, since January 1, 2001, been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body, that would likely be considered important to a reasonable investor in making an investment decision.

### **13. LEGAL PROCEEDINGS**

The REIT is involved in various claims and litigation as a regular part of its business. Management believes that the resolution of these claims and litigation (which in certain cases are subject to applicable deductibles covered by insurance) will not have a material adverse effect on its financial position or results of operations.

### **14. MANAGEMENT AND OTHER INFORMED PERSONS IN MATERIAL TRANSACTIONS**

For the financial year ended December 31, 2006, the REIT has no knowledge of any material interest of a Trustee or of a member of management, current or proposed, in any transaction, or in a proposed transaction, that could or would materially affect the REIT.

Michel Dallaire and Alain Dallaire, Trustees and officers of the REIT, indirectly control Dalcon Inc. and Corporation Financière Alpha (CFA) Inc. Michel Paquet, a Trustee and officer of the REIT, is also associated with these corporations as an officer thereof.

During the financial year ended December 31, 2006, the REIT recorded leasing revenues of \$1.2M from Dalcon Inc. and Corporation Financière Alpha (CFA) Inc. The REIT also incurred an expense of \$8.6M for the completion by Dalcon Inc., on its behalf, of tenant improvements for tenants of the REIT and \$14.9M for the construction of a property and development of income-producing properties on its behalf by Dalcon Inc.

### **15. TRANSFER AGENT AND REGISTRAR**

The REIT's transfer agent and registrar is Computershare Trust Company of Canada. The register of transfers maintained is located at its offices in Montreal, Quebec.

## 16. INTEREST OF EXPERTS

Ernst & Young LLP are the external auditors of the REIT who prepared the Auditor's Report to the Unitholders dated February 2, 2007 (except for note 21 (b) which is as of February 20, 2007 and note 21 (c) which is as of March 6, 2007) with respect to the consolidated annual financial statements of the REIT for the fiscal year ended December 31, 2006. Ernst & Young LLP is independent with respect to the REIT within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

## 17. ADDITIONAL INFORMATION

Additional information with respect to the REIT may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including Trustees and officers' remuneration, principal holder of the REIT's Units and Units authorized for issuance under the Unit Option Plan, where applicable, is contained in the REIT's information circular for its most recent annual meeting of Unitholders that involves the election of Trustees.

Additional financial information is provided in the REIT's financial statements and Management's Discussion and Analysis for the financial year ended December 31, 2006 available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SCHEDULE “A”**

### **AUDIT COMMITTEE**

#### **CHARTER**

#### **CONSTITUTION**

The Board of Trustees (the “**Board**”) has by resolution set up an audit Committee (the “**Committee**”) made up of three independent trustees who are financially literate. The Board appoints the members as well as the Committee Chair. The Committee may from time to time invite any other person it considers advisable to attend its meetings and participate in deliberations and discussions of the various matters dealt with by the Committee.

#### **QUORUM**

The quorum is a majority of Committee members.

#### **MEMBER TERMS**

Members remain on the Committee until the first meeting of the Board following the annual general meeting of unit holders after their election or until they retire or are replaced. Any member who terminates his or her Committee functions will be removed from the Committee and may be removed from office at any time by the Board.

#### **PROCEDURE**

The Committee follows the same procedure for calling and holding its meetings as the Board does with regard to such issues. The Board secretary also serves as the secretary for the Committee.

#### **PRESENCE OF EXTERNAL AUDITORS AT MEETINGS**

The external auditors attend Committee meetings when their presence is considered necessary, and in particular for the part thereof during which they present their approach and the scope of their audit and when discussing their fees as well as when examining the audited annual financial statements, the audit report, the auditors' responses to the Committee's questions and the letter to management with comments from management. The external auditors may request that the Committee Chair convene a meeting of the Committee.

#### **POWERS OF THE COMMITTEE**

The Committee exercises all powers and duties conferred on it under the trust agreement and is subject to the laws and regulations applicable to the REIT.

In the exercise of its functions, the Committee or its representative is authorized to access and discuss the books, ledgers and accounts of the REIT and its subsidiaries, and to discuss any other question concerning the financial situation and results of the REIT and its subsidiaries, with the officers and the internal and external auditors of the REIT and its subsidiaries.

The Committee is also authorized to obtain any information it may require from employees, who must respond promptly to the requests of the Committee or its representatives, and, as often as necessary, to meet with the officers, internal and external auditors or external advisors.



The Committee may engage independent attorneys or other advisors it deems necessary in the exercise of its functions, and fix and pay their remuneration. However, if the amount exceeds \$40,000 during a given year, the Committee must obtain Board authorization in the form of a resolution adopted to this effect.

## PURPOSE OF THE COMMITTEE

The Committee assists the Board in fulfilling its responsibility to oversee the financial management of the REIT, the financial information presentation process, the internal control system, the internal and external auditing process, the identification and management of financial risks and procedures set up to ensure that the code of ethics and professional conduct is complied with as well as the laws and regulations governing the REIT. In performing its functions, the Committee will promote good relations between the Board, management and the internal and external auditors.

## MANDATE

1. Recommend the choice of external auditors to the Board, which is directly responsible for overseeing their work. The Committee reminds the Board that the interests of the unitholders must be served rather than those of management;
2. Recommend to the Board the remuneration to be paid to the external auditors;
3. Determine and confirm the independence of the external auditors;
4. Evaluate the performance of the external auditors;
5. Give prior approval for all non-audit services to be assigned to the external auditors if the fees paid for these services exceed 5% of the total amount of fees paid to the external auditors during the year in which the services are rendered, and provided the Audit Committee is informed thereof at each of its meetings.

In addition, the Committee can adopt certain policies and procedures to delegate prior approval. It can also delegate this approval to one of its members provided the individual informs the Committee at its next regular meeting following the approval;

6. Review with the external auditors the approach and scope of its audit program, oversee their work and report to the Board any major reservations held by the Committee or expressed by the auditors concerning their work;
7. Periodically assess the need to set up an internal audit program. As soon as such a function exists or is created:
  - determine how the work it includes will be carried out;
  - examine the approach and scope of the program, the audit plan and the budget;
  - review quarterly the reports issued with comments from management;
  - keep informed of projects and activities related to this function;
  - assess its performance;
  - ensure that management follows up on the recommendations it and the Committee have accepted.
8. Review unaudited quarterly financial statements and the notes thereto, management's comments (MD&A), press releases, messages to unitholders and any other written communications intended for the public, the regulatory authorities, etc. and recommend their approval by the Board. Since these financial statements are unaudited, they will be accompanied by a notice to that effect;

9. Examine the annual audited financial statements and recommend their approval by the Board as well as all financial statements and reports that may require Committee review by virtue of applicable laws and regulations or in response to a request from the Board. The Committee is responsible for reviewing all information related to the financial statements, including the financial information contained in the annual report, the MD&A, the annual information form and the prospectus;

In performing this task, the Committee should not forget to discuss with the external auditors such issues as the acceptability and quality of the accounting principles and practices applied, underlying assumptions and major judgements regarding the financial statements of the REIT, ensuring that there is no disagreement between the auditors and management concerning the financial statements. Should a disagreement arise, the Committee is responsible for resolving it;

10. Receive at each regular meeting a certificate signed by the Chief Executive Officer and the Chief Financial Officer to the effect that the quarterly and annual financial statements and the related MD&A are free of false or misleading information and that they present a true portrait of the REIT's financial situation, operating results and cash flow for the period in question.
11. Receive and examine the external auditors' reports following the interim and final audit as well as the letter to management including management's comments on each point raised;
12. Following a review of the external auditors' comments and suggestions with the auditors, submit a report to the Board addressing the following points:
- the pertinence of accounting records and how they are kept;
  - the pertinence and efficiency of the accounting, internal control and information systems as well as the extent to which they are properly and uniformly applied;
  - the competency and efficiency of the personnel assigned to accounting and financial and internal control tasks as well as the number of people working in each of these areas.
13. Following the periodic evaluation of the competency, effectiveness and independence of the external auditors, recommend to the Board the renewal of the service contract or, if deemed appropriate, its cancellation by recommending that the contract not be renewed or by recommending that a special unitholders meeting be held to consider cancellation;
14. Periodically evaluate the implementation and adequacy of audit and reporting procedures for financial information extracted or resulting from the financial statements;
15. Following a consultation with the external and internal auditors, request that management indicate to the Committee the main risks faced by the REIT, the measures taken to minimize them and submit a report to the Committee thereon at each regular meeting. Following a review, the Committee must make any necessary modifications;
16. Review the efficiency of the system implemented to ensure that the REIT conforms to all applicable laws and regulations and review the results of any investigations that management conducted and ensure that the Committee is informed of all fraudulent activity or accounting irregularities;
17. Obtain from management at each quarterly meeting certification that the REIT conforms to all applicable laws and regulations, including corporate governance regulations, that all transactions appear on the balance sheet and that the REIT is not in default on any loans or contracts;
18. Review quarterly the status of potential, ongoing and foreseeable litigation;

19. Ensure that an ethics code is in place and that all trustees, officers and employees are informed thereof, evaluate the system established to ensure that the code is respected and, at least once a year, review the violations detected and review major violations as quickly as possible;
20. Review the policies and procedures in place for approving expenditures and bonuses provided to officers or managers;
21. Periodically address important questions concerning the accounting and the manner in which the most recent reports and statements, both professional and regulatory, are presented;
22. Examine and submit a report to the Board on potential debts and engagements of the REIT and its subsidiaries and on transactions not found on the balance sheet;
23. Ensure that the general insurance portfolio for the REIT and its subsidiaries is adequate and submit appropriate recommendations to the Board;
24. Establish procedures for receiving, keeping and processing complaints concerning the REIT's accounting, internal accounting controls or any aspect of the audit process;
25. Establish procedures for the confidential and anonymous transmission of employees' concerns relative to the accounting or audit process;
26. Review and approve the hiring policies of the REIT regarding partners, employees and former partners and employees of the present and former external auditors;
27. Establish the list of questions to be sent in writing at the end of the year to the external auditors and management and review the responses received when reviewing the audited financial statements.
28. Ensure that the disclosure regarding the Committee was included in the annual information form.
29. Periodically meet with management and the internal and external auditors separately;
30. Conduct an annual review and update the Committee Charter as required;
31. Evaluate the performance of the Committee and its members at least once a year;
32. Each year confirm that the Committee has fulfilled its responsibilities as per its charter;
33. Perform all other work related to the charter as the Board may request.

## **MINUTES**

Minutes will be prepared for each Committee meeting.

## **REPORT TO BOARD**

The Committee must submit a report of its proceedings at the following Board meeting.

## **REMUNERATION**

For their services, the Committee members receive remuneration as fixed by the Board.