

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Accordingly, these securities may not be offered or sold within the United States of America and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. **Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the REIT at 455, rue Marais, Québec City (Vanier), Québec, G1M 3A2, telephone (418) 681-8151. For the purposes of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of the REIT at the above-mentioned address and telephone number.*

SHORT FORM PROSPECTUS

New Issue

September 10, 2004



COMINAR REAL ESTATE INVESTMENT TRUST

\$100,000,000

Series A 6.30% Convertible Unsecured Subordinated Debentures

This short form prospectus relates to the distribution of \$100,000,000 aggregate principal amount of Series A 6.30% convertible unsecured subordinated debentures (“Debentures”) of Cominar Real Estate Investment Trust (the “REIT”) due June 30, 2014 at a price of \$1,000 per Debenture. The Debentures bear interest at an annual rate of 6.30% payable semi-annually in arrears on June 30 and December 31 in each year commencing on December 31, 2004. See “Description of the Debentures”.

Each Debenture is convertible into units of the REIT (“Units”) at the option of the holder at any time prior to 4:00 p.m. (Montreal time) on the earlier of June 27, 2014 and the last business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$17.40 per Unit (the “Conversion Price”), being a conversion rate of 57.4713 Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the provisions of the Indenture (as defined herein). Holders converting their Debentures will receive accrued and unpaid interest on such Debentures for the period from the last interest payment date thereon (or the date of issue of their Debentures if no interest has yet been paid by the REIT) to and including the last record date prior to such conversion declared by the REIT for determining Unitholders (as defined herein) entitled to receive distributions on the Units. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events are set out under “Description of the Debentures — Conversion Rights”. **A holder of Debentures (a “Debentureholder”) will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See “Canadian Federal Income Tax Considerations”.**

The Debentures are not redeemable prior to June 30, 2008, except in the event of a Change of Control (as defined herein) (see “Description of the Debentures — Put Right Upon a Change of Control”). On or after June 30, 2008 and prior to June 30, 2010, the Debentures may be redeemed by the REIT, in whole or in part, on not more than 60 days’ and on not less than 30 days’ prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange (the “TSX”) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the Conversion Price. On or after June 30, 2010 and prior to June 30, 2014, the Debentures may be redeemed by the REIT at any time at a redemption price equal to the principal amount thereof plus accrued and unpaid interest.

The REIT may, at its option, and subject to applicable regulatory approval, elect to satisfy its obligation to pay the principal amount of the Debentures that are to be redeemed or that have matured by issuing Units to Debentureholders. In addition, subject to applicable regulatory approval, Units may be issued to the Debenture Trustee (as defined herein) and sold, with the proceeds used to satisfy the obligations to pay interest on the Debentures. See “Description of the Debentures — Method of Payment”.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures. The TSX has conditionally approved the listing of the Debentures and the Units issuable upon conversion of the Debentures, subject to compliance with all of the requirements of the TSX on or before November 29, 2004. The outstanding Units are listed on the TSX under the symbol CUF.UN. On August 27, 2004, the last trading day prior to the announcement of this offering, the closing price per Unit on the TSX was \$15.53 and on September 9, 2004, the closing price per Unit on the TSX was \$15.55.

(continued on next page)

The REIT is an unincorporated closed-end investment trust governed by the laws of the Province of Québec. **The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. Neither the Debentures nor the Units issued upon conversion of the Debentures are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.** No rating for the Debentures or the Units (including the Units issuable upon conversion of the Debentures) has been applied for or obtained from any rating agency.

Although the REIT intends to make distributions of its available cash to Unitholders, these cash distributions are not assured. The ability of the REIT to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the REIT, its debt covenants and obligations, its working capital requirements and its future capital requirements. The market value of the Debentures may deteriorate if the REIT is unable to maintain current levels of cash distributions in the future, and that deterioration may be material. An investment in the Debentures is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. See “Risk Factors and Investment Considerations”.

The after-tax return for any Units acquired under the terms of a Debenture by Debentureholders which are subject to Canadian income tax and are Canadian residents 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 adjusted cost base of Units held by a Unitholder generally will be reduced by the non-taxable portion of distributions made to the Unitholder other than the portion thereof attributable to the non-taxable portion of certain capital gains. The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

In the opinion of counsel, the Debentures will qualify as eligible investments as set forth under “Eligibility for Investment”.

Price: \$1,000 per Debenture			
	Price to the public	Underwriters’ fee	Net proceeds to the REIT⁽¹⁾
Per Debenture	\$1,000	\$37.50	\$962.50
Total	\$100,000,000	\$3,750,000	\$96,250,000

(1) Before deducting the expenses of this offering estimated to be \$300,000, which, together with the Underwriters’ fee in respect of the Debentures issued and sold by the REIT, will be paid out of the general funds of the REIT.

The Underwriters, as principals, conditionally offer the Debentures for sale, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution”, and subject to the approval of certain legal matters on behalf of the REIT by Davies Ward Phillips & Vineberg LLP, and on behalf of the Underwriters by Desjardins Ducharme Stein Monast, general partnership.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Debentures will be issued in registered form to the Canadian Depository for Securities Limited (“CDS”) or its nominee as registered global securities and will be deposited with CDS on the closing date, which is expected to occur on or about September 17, 2004 or such later date as the REIT and the Underwriters may agree, but in any event not later than September 29, 2004. Debentureholders will not be entitled to receive physical certificates representing their ownership. See “Description of the Debentures — Book-Entry, Delivery and Form”.

Each of National Bank Financial Inc., Desjardins Securities Inc. and CIBC World Markets Inc., three of the Underwriters, is a subsidiary of financial institutions which are among the REIT’s principal lenders. In addition, the REIT has entered into an agreement to acquire a property from the financial institution of which National Bank Financial Inc. is the subsidiary for an amount of approximately \$30.5 million. Consequently, the REIT may be considered a “connected issuer” of such Underwriters within the meaning of applicable securities legislation. As at September 9, 2004, the actual indebtedness of the REIT to such financial institutions amounted to approximately \$114.5 million in the aggregate. See “Plan of Distribution”.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the REIT, 455, rue Marais, Québec City (Vanier), Québec, G1M 3A2, Telephone: (418) 681-8151. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the documents incorporated herein by reference and of the permanent information record may be obtained from the Secretary of the REIT at the above-mentioned address and telephone number.

The following documents, filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (i) the renewal annual information form of the REIT dated May 17, 2004 (the "AIF");
- (ii) the comparative audited consolidated financial statements of the REIT for the year ended December 31, 2003, together with the notes thereto and the auditors' report thereon;
- (iii) management's discussion and analysis of operating results and financial position of the REIT for the year ended December 31, 2003 (the "2003 MD&A"), which is set forth at pages 10 to 17, inclusively, of the REIT's 2003 annual report in the section entitled "Management's Discussion and Analysis";
- (iv) the management information circular of the REIT dated March 26, 2004 (the "Circular") in connection with the annual meeting of Unitholders of the REIT held on May 11, 2004, other than the sections entitled "Governance Practices" and "Report on Executive Compensation";
- (v) the amended comparative unaudited interim consolidated financial statements of the REIT for the six months ended June 30, 2004, together with the amended management's discussion and analysis of operating results and financial position of the REIT thereon; and
- (vi) the material change report of the REIT dated August 31, 2004 with respect to this offering.

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) filed by the REIT with the securities commissions or similar regulatory authorities in each of the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the

modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

GLOSSARY

The following terms used in this short form prospectus have the meanings set out below:

“**Acquisition Facilities**” means, collectively, the REIT’s acquisition facilities in the aggregate amount of \$58.0 million in connection with which the lenders are the financial institutions of which two of the Underwriters, Desjardins Securities Inc. and National Bank Financial Inc., are subsidiaries, in respect of which an approximate aggregate amount of \$28.6 million was outstanding as at September 9, 2004.

“**Acquisition Property**” means the property to be acquired by the REIT referred to under “Recent Developments”. See “Recent Developments” and “Use of Proceeds”.

“**AM Total Investments**” means AM Total Investments (SENC), a general partnership created under the laws of the Province of Québec, which is controlled by the children of Mr. Jules Dallaire.

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Québec), as amended.

“**associate**” has the meaning ascribed thereto in the CBCA.

“**Bonus Units**” means the additional Units a Unitholder is entitled to receive in payment of a distribution equal to 5% of each distribution that was reinvested by the Unitholder under the terms of the DRIP.

“**Budget Proposals**” means the proposed amendments to the Tax Act announced by the Minister of Finance (Canada) on March 23, 2004.

“**CBCA**” means the *Canada Business Corporations Act*, as amended.

“**CCRA**” means the Canada Customs and Revenue Agency.

“**Change of Control**” has the meaning ascribed thereto under “Description of the Debentures — Put Right upon a Change of Control”.

“**Cominar Tower**” has the meaning ascribed thereto at item 16 of “Recent Developments”.

“**Contract of Trust**” means the contract of trust made as of March 31, 1998, as amended as of May 8, 1998 and as of May 13, 2003, governed by the laws of the Province of Québec, pursuant to which the REIT was established, as further amended, supplemented or restated from time to time.

“**Conversion Price**” has the meaning ascribed thereto under “Description of the Debentures — Conversion Rights”.

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

“**Dallaire Group**”, as at the time of the REIT’s initial public offering on May 21, 1998 means, collectively, Immeubles Cominar inc., Société en commandite Cominar, Société en nom collectif Cominar and Société en commandite Desroches, and, as of the date of this short form prospectus, means, collectively, Corporation Financière Alpha (CFA) Inc., Société en Commandite Alpha-Québec and AM Total Investments.

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

“**Debenture**” means a Series A 6.30% convertible unsecured subordinated debenture of the REIT and “**Debentures**” has the corresponding meaning.

“**Debentureholders**” means the holders of Debentures, and “**Debentureholder**” means one of them.

“**Debenture Trustee**” has the meaning ascribed thereto under “Description of the Debentures — General”.

“**Deferred Income Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, each as defined in the Tax Act.

“**Distribution Date**” means the fifteenth day of each calendar month (other than January) and December 31 in each calendar year.

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

“**DRIP**” means the distribution reinvestment plan of the REIT, as amended and restated, as described under “Distribution Reinvestment Plan” in the AIF.

“**Event of Default**” has the meaning ascribed thereto under “Description of the Debentures — Events of Default and Waivers”.

“**Flip-in Event**” shall have the meaning ascribed thereto in the Unitholders’ Rights Plan.

“**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.

“**Indenture**” has the meaning ascribed thereto under “Description of the Debentures — General”.

“**Independent Trustee**” means a Trustee: (i) who is not a member of the Dallaire Family, an associate, director, officer or employee of a corporation or partnership comprising the Dallaire Group or an affiliate thereof; (ii) who is not related (as defined in the TSX Guidelines on Corporate Governance) to the Dallaire Group; (iii) who is not a person who is a “related person” (within the meaning of the Tax Act) in relation to the Dallaire Group or to any member of the Dallaire Family; (iv) who has no material business relationships with the REIT (other than his election or appointment as Trustee or, subject to the provisions of the Contract of Trust, his being a Unitholder), the Dallaire Group or 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 Dallaire Group Trustee shall be deemed not to be an Independent Trustee.

“**Independent Trustee Matters**” means those decisions which require the approval of the majority of the Independent Trustees only, as set out in “Contract of Trust and Description of Units — Independent Trustee Matters”.

“**Operating Facility**” means the REIT’s operating facility in the amount of approximately \$7.9 million in respect of which an approximate amount of \$6.2 million was outstanding as at September 9, 2004.

“**Put Date**” has the meaning ascribed thereto under “Description of the Debentures — Put Right upon a Change of Control”.

“**Put Price**” has the meaning ascribed thereto under “Description of the Debentures — Put Right upon a Change of Control”.

“**REIT**” means Cominar Real Estate Investment Trust.

“**RESP**” means a registered education savings plan as defined in the Tax Act.

“**Rights**” has the meaning ascribed thereto in the Unitholders’ Rights Plan.

“**Securities**” means, collectively, the Units and the Debentures.

“**Senior Indebtedness**” has the meaning ascribed thereto under “Description of the Debentures — Subordination”.

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

“**Tax Proposals**” means all specific proposals to amend the Tax Act announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short-form prospectus, including the Budget Proposals.

“**Trustee**” means a trustee of the REIT.

“**TSX**” means the Toronto Stock Exchange.

“**Underwriters**” means National Bank Financial Inc., Scotia Capital Inc., Desjardins Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and Canaccord Capital Corporation.

“**Underwriting Agreement**” means the agreement dated September 1, 2004 among the REIT and the Underwriters.

“**Unit**” means a unit of interest in the REIT.

“**Unit Option Plan**” means the unit option plan of the REIT, as amended and restated, as described under “Management of the REIT — Unit Option Plan” in the AIF.

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

“**Unitholders’ Rights Plan**” means the unitholders’ rights plan of the REIT, as amended and restated, as described under “Unitholders’ Rights Plan” in the AIF.

THE REIT

The REIT is an unincorporated closed-end investment trust created by the Contract of Trust on March 31, 1998 and is governed by the laws of the Province of Québec.

The objectives of the REIT are (i) to provide Unitholders with stable and growing monthly cash distributions which are, to the extent practicable, tax deferred, from investments in a diversified portfolio of income producing office, retail, industrial and mixed-use properties located in the greater Québec City and Montreal areas, and (ii) to improve and maximize Unit value through the ongoing active management of the REIT's properties and the acquisition of additional income producing properties.

As one of the largest property owners in the greater Québec City area commercial real estate market, the REIT has a dominant presence and enjoys significant economies of scale in this market. It currently owns a diversified portfolio of 117 office, retail, industrial and mixed-use properties, of which 81 are located in the greater Québec City area and 36 are located in the greater Montreal area. The portfolio comprises approximately 1.8 million square feet of office space, 2.2 million square feet of retail space and 4.6 million square feet of industrial and mixed-use space, representing, in the aggregate, approximately 8.6 million square feet of leasable area. As at August 31, 2004, the REIT's portfolio was approximately 94.7% 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.

On May 21, 1998, immediately prior to the completion of its initial public offering of Units, the REIT acquired from the Dallaire Group a portfolio of properties composed of 51 office, retail, industrial and mixed-use properties in the greater Québec City area, representing, in the aggregate, approximately 3.1 million square feet of leasable area.

The REIT intends to continue to pursue acquisition and development opportunities that allow for economies of scale benefiting both tenants and the REIT in terms of significant operating cost savings and efficient property management operations.

AM Total Investments, together with other members of the Dallaire Family, directly and indirectly own 7,317,347 Units (representing approximately 22.9% of the Units issued and outstanding as at September 9, 2004) which includes all of the Units acquired by the Dallaire Family upon the completion of the REIT's initial public offering.

The REIT's asset and property management is fully internalized and the REIT is a fully integrated, self-managed real estate investment operation. The REIT currently employs 93 full-time employees. The head office of the REIT is located at 455, rue Marais, Québec City (Vanier), Québec, G1M 3A2.

RECENT DEVELOPMENTS

The following is a summary of significant developments in the operations and affairs of the REIT which have occurred since December 31, 2003.

1. On January 5, 2004, the REIT began the construction of a 47,000 square foot industrial and mixed-use property located at 4500-4536, rue Louis-B.-Mayer, in Laval, Québec, at a cost of approximately \$2.45 million.
2. On February 18, 2004, the REIT began the construction of a 36,000 square foot industrial and mixed-use property located at 2600, avenue Saint-Jean-Baptiste, in Québec City, Québec, at a cost of approximately \$2.1 million.
3. On April 1, 2004, the REIT completed the acquisition of a 56,337 square foot industrial and mixed-use property located at 5055, rue Hugues-Randin, in Québec City, Québec, for a total consideration of approximately \$3.3 million, paid in cash.

4. On April 8, 2004, the REIT completed the acquisition of a 45,671 square foot industrial and mixed-use property located at 9055, rue Impasse-de-l'Invention, in Montreal, Québec, for a total consideration of \$2.3 million, paid in cash.
5. On May 4, 2004, the REIT completed the acquisition of a 156,270 square foot office tower located at 3400, avenue Jean-Béraud, in Laval, Québec, for a total consideration of approximately \$28 million, payable as to approximately \$16.6 million in cash and approximately \$11.4 million by the assumption of a hypothec charging the property.
6. On May 10, 2004, the REIT began the construction of a 119,000 square foot industrial and mixed-use property located at 4451, autoroute Laval ouest,, in Laval, Québec, at a cost of approximately \$7.1 million.
7. On May 11, 2004, at the annual and special meeting of Unitholders, the Unitholders passed an ordinary resolution to (i) ratify and confirm an amendment to the Unit Option Plan relating to the increase in the maximum number of Units that can be issued pursuant to the exercise of options granted under the plan; and (ii) approve the listing of additional Units on the TSX, to be listed as reserved for issuance pursuant to the Unit Option Plan. For more information on these matters, see the Circular.
8. On May 11, 2004, the REIT released its results for the three months ended March 31, 2004. Distributable Income increased by approximately 24% in the first quarter of 2004, as compared to the first quarter of 2003, representing an increase per Unit of approximately 2.4%. As at March 31, 2004, the outstanding hypothecs charging properties owned by the REIT had a weighted average rate of interest of 6.31% and a weighted average term of maturity of 4.11 years.
9. On May 11, 2004, the REIT announced an increase in monthly distributions per Unit from \$0.095 to \$0.098, representing an increase of approximately 3.2%.
10. On June 10, 2004, the REIT began the construction of a 110,000 square foot industrial and mixed-use property located at 2800, avenue Saint-Jean-Baptiste, in Québec City, Québec, at a cost of approximately \$6.5 million.
11. On July 21, 2004, the REIT completed the acquisition of a 101,222 square foot industrial and mixed-use property located at 330, rue Avro, in Montreal, Québec, for a total consideration of approximately \$8.3 million, payable as to approximately \$4.8 million in cash and approximately \$3.5 million by the assumption of a hypothec charging the property.
12. On August 4, 2004, the REIT released its results for the six months ended June 30, 2004. Distributable Income increased by approximately 39.0% in the second quarter of 2004 as compared to the second quarter of 2003, representing an increase per Unit of approximately 15.4%. As at June 30, 2004, the outstanding hypothecs charging properties owned by the REIT had a weighted average rate of interest of 6.29% and a weighted average term of maturity of 4.01 years.
13. On August 11, 2004, the REIT completed the acquisition of a 169,200 square foot industrial and mixed-use property located at 19701, avenue Clark-Graham, in Montreal, Québec, for a total consideration of \$11.1 million, payable as to approximately \$7.9 million in cash and approximately \$3.2 million by the assumption of two hypothecs charging the property.
14. On August 23, 2004, the REIT entered into an agreement for the acquisition of the Acquisition Property, a 170,220 square foot office building located at 300, rue Viger Est, in Montreal, Québec, for a total consideration of approximately \$30.5 million, payable in cash, from the financial institution of which National Bank Financial Inc., one of the Underwriters, is a subsidiary. While the acquisition is to be completed on or about September 30, 2004, there can be no assurance that it will be completed or completed on or about such date.
15. On August 26, 2004, the REIT entered into one of the Acquisition Facilities with the financial institution of which one of the Underwriters, Desjardins Securities Inc., is a subsidiary. The facility is at such financial institution's preferred rate and is secured by nine industrial and mixed-use properties and one office building that are located in Québec City, Longueuil and Montreal, Québec. This facility will be used to repay existing indebtedness

of the REIT and for future acquisitions. As at September 9, 2004 approximately \$20.0 million was outstanding under this facility.

16. In April 2004, the REIT completed the construction of a 17 floor office tower (the “Cominar Tower”) having a leasable area of approximately 205,000 square feet as an addition to the Place de la Cité Complex. The Place de la Cité Complex now has a leasable area of approximately 1.04 million square feet, of which approximately 368,000 square feet consists of retail space. The Place de la Cité Complex is an office and retail building situated on Boulevard Laurier, one of the principal access routes to the downtown area of Québec City, Québec. As at September 9, 2004, the Cominar Tower was 89% leased. The first occupants of the Cominar Tower took possession of their premises in May 2004. The REIT expects that the leased space will be substantially occupied by December 31, 2004.

Description of Properties

The following is a detailed description of the properties referred to above. Summary leasing information is as at the date hereof.

4500-4536, rue Louis-B.-Mayer, Laval

A 47,000 square foot industrial and mixed-use building currently under construction, situated on 145,000 square feet of land (3.3 acres). The building is located along Highway 440 at the corner of boulevard Curé-Labelle. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building has 120 parking spaces.

2600, avenue Saint-Jean-Baptiste, Québec City

A 36,000 square foot industrial and mixed-use building currently under construction, situated on 140,000 square feet of land (3.2 acres). The building is located along boulevard Hamel and autoroute Henri-IV. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building has 132 parking spaces.

5055, rue Hugues-Randin, Québec City

A 56,337 square foot industrial and mixed-use building situated on 129,027 square feet of land (2.9 acres) built in 1989. The building is located in the Métrobec industrial park, along the north side of l’autoroute de la Capitale. The building contains warehouse and office space. The warehouse space has a 25 foot clear ceiling height. The building is 100% leased to one tenant and has 85 parking spaces.

Tenant	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
Canada Post Corporation	56,337	November 2009	100%

9055, rue Impasse-de-l’Invention, Montreal

A 45,671 square foot industrial and mixed-use building situated on 125,808 square feet of land (2.8 acres) built in 2001. The property is located in the industrial park of the borough of Anjou, adjacent to the principal arteries (Highways 40, 25, 20) of the city. The building contains warehouse and office space. The warehouse space has a 25 foot clear ceiling height. The building is 73.18% leased and has 56 parking spaces.

Major Tenants	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
The Brick Warehouse LP	33,420	January 2005	73.18%

3400, avenue Jean-Béraud, Laval

A 156,270 square foot office tower situated on 283,456 square feet of land (6.5 acres) built in 2001. The building is located between boulevards Chomedey and Daniel-Johnson in Laval. The building contains office space and has approximately 553 parking spaces. The building is 100% leased.

Major Tenants	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
Public Works Canada	155,640	August 2012	99.60%

4451 autoroute Laval ouest, Laval

A 119,000 square foot industrial and mixed-use building currently under construction, situated on 235,000 square feet of land (5.4 acres). The building is located along Highway 440 at the corner of boulevard Curé-Labelle. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building has 292 parking spaces.

2800, avenue Saint-Jean-Baptiste, Québec City

A 110,000 square foot industrial and mixed-use building currently under construction, situated on 550,628 square feet of land (12.6 acres). The building is located along boulevard Hamel and autoroute Henri-IV. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building has 270 parking spaces.

330, rue Avro, Montreal

A 101,222 square foot industrial and mixed-use building situated on 225,646 square feet of land (5.2 acres). Built in 1991 and expanded in 1998, the building is located to the West of boulevard des Sources and to the South of the Trans-Canada Highway in Pointe-Claire. The building contains warehouse and office space. The building is 100% leased and has approximately 215 parking spaces.

Tenant	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
Dynacast Canada Inc.	101,222	December 2012	100%

19701, avenue Clark-Graham, Montreal

A 169,200 square foot industrial and mixed-use building situated on 383,500 square feet of land (8.8 acres). Built in 1994 and expanded in 1999, the building is located along the Trans-Canada Highway in the Borough of Beaconsfield-Baie d'Urfé. The building contains warehouse and office space. The building is 100% leased and has approximately 200 parking spaces.

Tenants	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
Alcan Packaging Canada Limited	169,200	December 2008	100%

300, avenue Viger Est, Montreal

A 170,220 square foot, seven storey office building situated on 170,221 square feet of land (3.9 acres). Built in 1992, the property is located at the corner of rue Viger, near the Ville-Marie Autoroute, downtown Montreal. The building is 100% leased and has approximately 54 parking spaces.

Tenant	Leasable Area (Square Feet)	Expiration Date	Percentage of Leasable Area Occupied by Indicated Tenant
Quebecor Media Inc.	170,220	August 2013	100%

USE OF PROCEEDS

The estimated net proceeds to be received by the REIT from this offering will amount to approximately \$95.95 million, after deducting the Underwriters' fee in respect of the Debentures issued and sold by the REIT and the estimated expenses of this offering. Such net proceeds will be used as to:

- (i) approximately \$30.5 million to finance the acquisition of the Acquisition Property;
- (ii) approximately \$28.6 million to repay amounts outstanding under the Acquisition Facilities;
- (iii) approximately \$16.7 million to repay certain hypothecary loans on income producing properties;
- (iv) approximately \$6.2 million to repay amounts outstanding under the Operating Facility; and
- (v) approximately \$13.95 million for general purposes, including future acquisitions.

See "Recent Developments" and "Plan of Distribution".

After giving effect to this offering and the proposed use of net proceeds therefrom, the indebtedness of the REIT, expressed as a percentage of the pro-forma Gross Book Value as at September 9, 2004 is estimated by management of the REIT to increase from approximately 47.1% to 50.6%. See "Changes in Units Outstanding and Loan Capital".

CONTRACT OF TRUST AND DESCRIPTION OF UNITS

General

The REIT is an unincorporated closed-end investment trust created pursuant to the Contract of Trust and governed by the laws of the Province of Québec. The Contract of Trust is available for inspection during regular business hours at the head office of the REIT, 455, rue Marais, Québec City (Vanier), Québec, G1M 3A2, without charge, during the distribution of the securities being offered under this short form prospectus.

Units

The ownership interests in the REIT constitute a single class of Units. Units represent a Unitholder's proportionate undivided ownership interest in the REIT. The aggregate number of Units which the REIT may issue is unlimited. As at September 9, 2004, there were 31,927,464 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 rateably 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 are issued and fractional Units do 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. By acceptance of a certificate representing Units, the holder thereof agrees to be bound by the Contract of Trust.

Purchase of Units

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

Take-over Bids

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

Meetings of Unitholders

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

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

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

Issuance of Units

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

Limitation on Non-Resident Ownership

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

Information and Reports

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

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

Amendments to Contract of Trust

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

- (i) any amendment to change a right with respect to any outstanding Units of the REIT, to reduce the amount payable thereon upon termination of the REIT or to diminish or eliminate any voting rights pertaining thereto;
- (ii) any amendment to the duration or term of the REIT;
- (iii) any amendment to increase the maximum number of Trustees (to more than 11 Trustees) or to decrease the minimum number of Trustees (to less than nine Trustees), any change by the Unitholders in the number of Trustees within the minimum and maximum number of Trustees provided in the Contract of Trust, or any authorization by the Unitholders to the Independent Trustees to effect such change and, if applicable, to appoint additional Independent Trustees within such minimum and maximum number of Trustees;
- (iv) any amendment to the provisions relating to staggered terms of the Trustees; and
- (v) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees.

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

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

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

Sale of Assets

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

Term of the REIT

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

Independent Trustee Matters

At least a majority of the Trustees must be Independent Trustees. Pursuant to the Contract of Trust, all Independent Trustee Matters will require the approval of a majority of the Independent Trustees only. “Independent Trustee Matters” as used herein means any decision:

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

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

Dallaire Group Trustees

Pursuant to the Contract of Trust, Corporation Financière Alpha (CFA) Inc. (a member of the Dallaire Group) is entitled to appoint four Trustees on behalf of AM Total Investments, provided that AM Total Investments holds at least 10% of the Units then outstanding.

Determination of Trustees

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

CHANGES IN UNITS OUTSTANDING AND LOAN CAPITAL

As at December 31, 2003, the year end of the most recently completed fiscal year of the REIT, there were 31,668,291 Units outstanding. As at September 9, 2004, there were 31,927,464 Units outstanding. The only changes in the number of outstanding Units since December 31, 2003 resulted from: (i) the issuance of 111,673 Units pursuant to the DRIP; and (ii) the issuance of 147,500 Units in connection with the exercise of options granted under the Unit Option Plan.

As at December 31, 2003, the indebtedness of the REIT was approximately \$270.7 million and as at June 30, 2004, the indebtedness of the REIT was approximately \$296.6 million (excluding accounts payable and accrued liabilities and distributions payable to Unitholders). Since December 31, 2003, the changes to the loan capital of the REIT resulted from the assumption of hypothecary loans in connection with the acquisition of properties by the REIT, including those described under "Recent Developments", amounts drawn down under the credit facilities of the REIT, and the repayment of indebtedness of the REIT.

After giving effect to the issuance of the Debentures and the repayment by the REIT of certain indebtedness with a portion of the proceeds from this offering, the outstanding indebtedness of the REIT (excluding accounts payable and accrued liabilities, and distributions payable to Unitholders) will be approximately \$365.3 million. See "Recent Developments" and "Use of Proceeds".

The Debentures will be treated as debt of the REIT for accounting purposes.

DISTRIBUTION POLICY

The REIT will distribute to Unitholders monthly, on or about the fifteenth day in each calendar month (other than January) and on December 31 in each calendar year, 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 are also entitled to receive a distribution on December 31 of each year of: (i) the net realized capital gains of the REIT and the net recapture income of the REIT for the year then ended; and (ii) any excess of the income of the REIT for the purposes of the Tax Act over distributions otherwise made for that year. Distributions are made in cash. Distributions are 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.

It is the REIT's current intention to distribute 86% of Distributable Income 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. See the section entitled "Distribution Policy" in the AIF.

For the year 2004, the REIT made monthly distributions of \$0.095 per Unit for each of January, February, March and April, and monthly distributions of \$0.098 per Unit for each of May, June and July, and declared a monthly distribution of \$0.098 for August 2004.

Tax Deferral on 2004 Distributions

Management estimates that approximately 50% of the distributions to be made by the REIT to Unitholders in 2004 will be tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture (as defined below).

General

The Debentures will be issued under the trust indenture to be dated as of the closing of this offering (the "Indenture") between the REIT and Natcan Trust Company (the "Debenture Trustee"), as trustee. The Debenture Trustee is an affiliate of National Bank Financial Inc., one of the Underwriters. The Indenture does not limit the aggregate principal amount of debentures that may be outstanding from time to time.

The Debentures to be issued will be in the aggregate principal amount of \$100,000,000. The REIT may, from time to time, without the consent of the Debentureholders, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Debentures offered hereby.

The Debentures will be dated as of the closing of this offering and will mature on June 30, 2014. The Debentures will be issuable only in denominations of \$1,000 and integral 1,000 multiples thereof and will bear interest from and including the date of issue at 6.30% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2004. The first interest payment will include interest accrued from the date of the closing to December 31, 2004.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the REIT and subject to applicable regulatory approval, by delivery of fully paid, non-assessable and freely tradeable Units as further described under "Method of Payment — Payment of Principal on Redemption or at Maturity". The interest on the Debentures is payable in lawful money of Canada including, at the option of the REIT and subject to applicable regulatory approval, in accordance with the Interest Payment Election as described under "Method of Payment — Interest Payment Election".

The Debentures are direct obligations of the REIT and are not to be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the REIT as described under "— Subordination".

Subordination

The Indenture provides that the Debentures are subordinated in right of payment to all present and future Senior Indebtedness (as defined herein) of the REIT. No payment of principal (including redemption payments) or interest on the Debentures may be made (i) if any Senior Indebtedness is not paid when due and any applicable grace period with respect to such payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist, or (ii) if the maturity of any Senior Indebtedness has been accelerated because of a default and either such acceleration has not been rescinded or such Senior Indebtedness has not been repaid. Upon

any distribution of assets of the REIT to creditors upon any dissolution, winding-up, total liquidation or reorganization of the REIT, whether in bankruptcy, insolvency or receivership proceedings, upon an “assignment for the benefit of creditors”, or otherwise, all principal, premium, if any, and interest due on all Senior Indebtedness of the REIT must be paid in full before the Debentureholders are entitled to receive or retain any payment.

Neither the Indenture nor the Debentures will limit the ability of the REIT to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness.

The term “Senior Indebtedness” means the principal of, and the interest and premium (or any other amounts payable thereunder), if any, on:

- (i) all indebtedness, liabilities and obligations of the REIT (other than the Debentures), whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition by the REIT of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, by means of commercial paper, bankers’ acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers’ acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any subsidiary of the REIT for payment of which the REIT is responsible or liable, whether absolutely or contingently; and
- (ii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to Debentures which by their terms are subordinated.

The Debentures are direct unsecured obligations of the REIT. Each Debenture will rank *pari passu* with each other debenture of the same series or with other series of debentures that may be issued under the Indenture (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the REIT except for sinking fund provisions (if any) applicable to different series of debentures or other similar types of obligations of the REIT.

Conversion Rights

Each Debenture is convertible into Units of the REIT, at the option of the Debentureholder, at any time prior to 4:00 p.m. (Montreal time) on the earlier of June 27, 2014 and the last business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$17.40 per Unit (the “Conversion Price”), being a conversion rate of 57.4713 Units per \$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events in accordance with the Indenture. If all conversion rights attaching to the Debentures are exercised, the REIT will be required to issue 5,747,126 additional fully paid, non-assessable and freely tradeable Units, subject to anti-dilution adjustments. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, Debentureholders converting their Debentures will receive accrued and unpaid interest on such Debentures for the period from the last interest payment date on their Debentures (or the date of issue of their Debentures if no interest has yet been paid by the REIT) to and including the last record date prior to such conversion declared by the REIT for determining the Unitholders entitled to receive distributions on the Units.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Units; (ii) the distribution of Units to Unitholders by way of distribution or otherwise other than an issue of securities to Unitholders who have elected to receive distributions in securities of the REIT in lieu of receiving cash distributions paid in the ordinary course;

(iii) the issuance of options, rights or warrants to all or substantially all Unitholders entitling them to acquire Units or other securities convertible into Units at less than 95% of the then current market price (as defined in the Indenture to mean the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event) of the Units; and (iv) the distribution to all or substantially all the Unitholders of (a) units of any class other than Units and other than units distributed to Unitholders who have elected to receive dividends or distributions in the form of such units in lieu of dividends or distributions paid in the ordinary course, (b) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Units or securities convertible into Units), (c) evidences of the REIT's indebtedness, or (d) assets (excluding dividends or distributions paid in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described above if the Debentureholders are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date, as the case may be, of such event. The REIT will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, reorganization or merger of the REIT with or into any other entity, or in the case of any sale or conveyance of the property and assets of the REIT as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the REIT, the terms of the conversion privilege shall be adjusted so that each Debentureholder shall, after such reclassification, capital reorganization, consolidation, amalgamation, reorganization, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive and shall accept the number of Units or other securities or other property that, on the exercise of the conversion right, such Debentureholder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, amalgamation, reorganization, combination, merger, sale, conveyance, liquidation, dissolution or winding-up.

No fractional Units will be issued on any conversion but in lieu thereof, the REIT shall satisfy fractional interests by a cash payment equal to the current market price of the fractional interest.

Redemption

The Debentures will not be redeemable prior to June 30, 2008, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On or after June 30, 2008 and prior to June 30, 2010, the Debentures will be redeemable at the option of the REIT, in whole or in part and from time to time, on not more than 60 days' nor less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given exceeds 125% of the Conversion Price. On or after June 30, 2010 and prior to June 30, 2014 the Debentures will be redeemable at the option of the REIT, in whole or in part and from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. Any Debentures redeemed by the REIT will be cancelled and will not be reissued.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis to the nearest multiple of \$1,000 or by lot in such manner as the Debenture Trustee deems equitable.

Put Right upon a Change of Control

Upon the occurrence of a change of control involving the acquisition, by any person or persons acting jointly or in concert, of voting control or direction over an aggregate of 66⅔% or more of the outstanding Units (a "Change of Control"), each Debentureholder may require the REIT to purchase, on the date which is 30 days following the giving of notice of a Change of Control as set out below (the "Put Date"), all or any part of such Debentureholder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest up to but excluding the Put Date.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date the REIT provides notice of a Change of Control to the Debenture Trustee have been tendered for purchase on the Put Date, the REIT has the right to redeem all the remaining Debentures on such date at the Put Price. Notice of such redemption must be given to the Debenture Trustee by the REIT prior to the Put Date and, as soon as possible thereafter, by the Debenture Trustee to the Debentureholders whose Debentures have not been tendered for purchase.

Method of Payment

Payment of Principal on Redemption or at Maturity

On redemption or at maturity, the REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount required to repay the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The REIT may, at its option, on not more than 60 days' and not less than 30 days' prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering Units to the Debentureholders. The number of Units to be issued in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or that are to mature, as the case may be, by 95% of the volume-weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. No fractional Units will be issued on redemption or at maturity but in lieu thereof, the REIT shall satisfy fractional interests by a cash payment equal to the market price, as determined above, of the fractional interest.

Interest Payment Election

Subject to receiving any required regulatory approvals, provided it is not in default under the Indenture, the REIT may elect, from time to time, to satisfy its obligation to pay interest on the Debentures (the "Interest Obligation") on the date it is payable under the Indenture (an "Interest Payment Date"), by delivering a sufficient number of Units to the Debenture Trustee required to satisfy all or any part of the Interest Obligation in accordance with the Indenture (the "Interest Payment Election"). The Indenture provides that, upon such election, the Debenture Trustee shall: (i) accept delivery from the REIT of the Units; (ii) accept bids with respect to, and consummate sales of such Units, each as the REIT shall direct in its absolute discretion; (iii) invest the proceeds of such sales in Canadian government obligations (as defined in the Indenture) that mature prior to the applicable Interest Payment Date, and use the proceeds received from such government securities, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incident thereto.

The Indenture sets forth the procedures to be followed by the REIT and the Debenture Trustee in order to effect the Interest Payment Election. If an Interest Payment Election is made, the sole right of a Debentureholder in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the REIT attributable to fractional Units) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the REIT in respect of the Interest Obligation.

Neither the REIT's making of the Interest Payment Election nor the consummation of sales of Units will (a) result in the Debentureholders not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the Interest Obligation payable on such date or (b) entitle such Debentureholders to receive any Units in satisfaction of the Interest Obligation.

Events of Default and Waiver

The Indenture provides that an event of default ("Event of Default") in respect of the Debentures will result upon the occurrence of certain events described in the Indenture, including if any one or more of the following events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay the interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise; (iii) failure for 60 days after written notice to the REIT by the Debenture Trustee to comply with any of its agreements in the Debentures or the Indenture or any indenture

supplemental thereto (other than those referred to in (i) and (ii) above); (iv) failure for 10 days to deliver Units (or cash in lieu of fractional Units) in accordance with the terms of the Indenture when such Units (or cash in lieu of fractional Units) are required to be delivered, upon conversion of a Debenture; (v) default under any agreement evidencing indebtedness for money borrowed by the REIT where such indebtedness shall be accelerated so that it shall be or become due or payable prior to the date on which the same would otherwise become due and payable and the aggregate amount thereof so accelerated exceeds \$35 million and such acceleration is not rescinded or annulled within five business days after written notice to the REIT by the Debenture Trustee; (vi) certain events of bankruptcy or insolvency affecting the REIT under bankruptcy, insolvency or analogous laws; (vii) a decree or court order issuing sequestration or process of execution against all or a substantial portion of the property of the REIT, appointing a receiver of all or a substantial part of the property of the REIT, or ordering the winding-up or liquidation of the affairs of the REIT and any such decree or order continues unstayed and in effect for 60 days; (viii) if a resolution is passed for the winding-up or liquidation of the REIT; or (ix) if, after the date of the Indenture, any proceedings with respect to the REIT are taken with respect to a compromise or arrangement, with respect to creditors of the REIT generally, under applicable insolvency or bankruptcy legislation.

The Indenture provides that if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% of the aggregate principal amount of the debentures then outstanding under the Indenture, declare the principal, interest on all debentures then outstanding under the Indenture and all other monies outstanding to be due and payable.

In addition to the powers exercisable by Extraordinary Resolution (as defined herein), the holders of 66 $\frac{2}{3}$ % in aggregate principal amount of the debentures at the time outstanding under the Indenture may waive any existing default and its consequences, provided that if the Event of Default has occurred by reason of the non-observance or non-performance by the REIT of any covenant applicable only to one or more series of debentures, then the holders of at least 66 $\frac{2}{3}$ % of the principal amount of the outstanding debentures of that series shall be entitled to exercise this power.

The Debenture Trustee, so long as it has not become bound to declare the principal and interest on the debentures then outstanding under the Indenture to be due and payable, or to obtain or enforce payment of the same, shall have the power to waive any Event of Default if, in the Debenture Trustee's opinion, the default shall have been cured or adequate satisfaction made therefor.

When a default is waived by the Debenture Trustee or holders of debentures under the Indenture, it is deemed cured and will cease to exist, but that waiver does not extend to any subsequent or other default or impair any consequent right.

Modification

With certain exceptions, the Indenture and the rights of the holders of debentures under the Indenture may be modified by the REIT with the consent of a majority of the holders of debentures under the Indenture present and voting at a meeting at which not less than 25% of the principal amount of the debentures then outstanding under the Indenture are present in person or by proxy, unless a poll is to be taken, in which case questions submitted shall be decided by the votes of the holders of a majority in principal amount of the debentures represented at the meeting and voting (an "Ordinary Resolution").

The Indenture also provides that certain changes, including (i) changes relating to the modification of the terms of the Debentures, or any reduction of the rate of interest or extension of the time of payment of any principal or interest due thereon, (ii) the modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Debenture Trustee against the REIT, (iii) defeasance or (iv) the waiver of any default under the Indenture, may be made if authorized by Extraordinary Resolution. The term "Extraordinary Resolution" is defined in the Indenture to mean, in effect, a resolution passed by the affirmative votes of the holders of not less than 66 $\frac{2}{3}$ % of the aggregate principal amount of the debentures under the Indenture represented and voting at a duly constituted meeting of holders of debentures under the Indenture.

If the business to be transacted at any meeting by Extraordinary Resolution or otherwise, especially affects the rights of holders of debentures under the Indenture of one or more series in a manner or to an extent differing in any material way from that in or to which the rights of holders of debentures under the Indenture of any other series

are affected, then the holders of that specially affected series shall be entitled to vote separately at a meeting at which not less than 25% of the principal amount of the debentures of that series then outstanding are present in person or by proxy and such matter must be passed by a resolution adopted by the affirmative vote of the holders of not less than 66 $\frac{2}{3}$ % of the aggregate principal amount of the debentures of that series represented and voting at such meeting.

All actions which may be taken by holders of debentures under the Indenture by Ordinary Resolution and Extraordinary Resolution and all actions requiring the approval of at least 66 $\frac{2}{3}$ % of a series of debentures may also be taken and exercised by an instrument or instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the debentures or series of debentures then outstanding under the Indenture, as the case may be.

The REIT and the Debenture Trustee may, without the consent or concurrence of the holders of debentures under the Indenture, by supplemental indenture or otherwise, make any changes or corrections in the Indenture which it shall have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

Limitation on Non-Resident Ownership

No Units may be issued pursuant to the conversion of all or part of the Debentures, no Debentures will be issued, no payment of interest or principal (whether upon maturity, redemption, or otherwise) will be made by the issuance of Units, and no Units will be issued in connection with the retraction of all or part of the Debentures upon a change of control, if any such issuance of Units or Debentures would result in persons who are non-residents of Canada for the purpose of the Tax Act holding or beneficially owning more than 49% of the Units (on either a basic or fully-diluted basis).

In addition, the Debenture Trustee may require declarations as to the jurisdictions in which holders or beneficial owners of Debentures are resident. If the REIT becomes aware that 49% of the Units (on either a basic or fully-diluted basis) then outstanding are held, or may be held, for the benefit of non-residents or that such a situation is imminent, the REIT may make a public announcement thereof and will notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription for Debentures from or issue or register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the REIT determines that more than 49% of the Units (on either a basic or fully-diluted basis) are held for the benefit of non-residents, the REIT may send a notice to non-resident Debentureholders, chosen in inverse order to the order of acquisition or registration or in such manner as the REIT may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not more than 60 days. If the Debentureholders receiving such notice have not sold the specified number of Debentures or provided the REIT with satisfactory evidence that they are not non-residents of Canada and do not hold their Debentures for the benefit of non-residents of Canada within such period, the REIT may sell such Debentures on behalf of such Debentureholders to a person or persons that are not non-residents of Canada and, in the interim, all rights attaching to such Debentures (including any right to receive payments of interest) will be immediately suspended and the rights of any such Debentureholders in respect of such Debentures will be limited to receiving the net proceeds of sale (net of any withholding tax).

Book-Entry, Delivery and Form

Debentures will be issued in the form of fully-registered global Debentures (the “Global Debentures”) held by, or on behalf of, CDS or its successor (the “Depository”) as custodian for its participants.

All Debentures will be represented in the form of Global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “book-entry only” form (unless the REIT, in its sole discretion, elects to prepare and deliver definitive Debentures in fully-registered form). Interests in the Global Debentures will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of holders of interests, as direct and indirect participants of the Depository (the “participants”). Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase

from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally, customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interest in Global Debentures.

If the Depository notifies the REIT that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the REIT and the Debenture Trustee are unable to locate a qualified successor, or if the REIT elects, in its sole discretion, to terminate the book-entry system, with the consent of the Debenture Trustee, beneficial owners of Debentures represented by Global Debentures at such time will receive Debentures in registered and definitive form (the “Definitive Debentures”).

Transfer and Exchange of Debentures

Transfers of interests in Debentures represented by Global Debentures will be effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in the Depository’s book-entry system.

The ability of a holder of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Montreal, Québec, or such other city or cities as may from time to time be designated by the REIT whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer or exchange of a Debenture will be registered during the period from the date of any selection by the Debenture Trustee of any Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

Reports to Debentureholders

The REIT will file with the Debenture Trustee, within 15 days after the filing thereof with the applicable Canadian securities regulatory authorities, copies of the REIT’s annual report and the information, documents and other reports that the REIT is required to file with the applicable Canadian securities regulatory authorities and deliver to its Unitholders. Notwithstanding that the REIT may not be required to remain subject to the reporting requirements of the Canadian securities regulatory authorities, the REIT shall provide to the Debenture Trustee (i) within 90 days after the end of each fiscal year, annual financial statements, and (ii) within 45 days after the end of the first three fiscal quarters of each fiscal year, interim financial statements which shall, at a minimum, contain such information as is required to be provided in quarterly reports under the laws of Canada or any province thereof to security holders of an entity with securities listed on the TSX, whether or not the REIT has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. The REIT will provide copies of such information, documents and reports to Debentureholders upon request.

EARNINGS COVERAGE RATIOS

The following *pro forma* consolidated earnings coverage ratios have been calculated for the year ending December 31, 2003 and for the period from July 1, 2003 to June 30, 2004, taking into account the incurrence of additional debt and the repayment of existing debt during such periods, and after giving effect to the issuance of the Debentures treated as debt of the REIT.

	<u>Year ended December 31, 2003</u>	<u>July 1, 2003 to June 30, 2004</u>
Pro forma interest expense.....	\$20.6 million	\$20.2 million
Earnings before interest expense ⁽¹⁾	\$47.9 million	\$49.5 million
Earnings coverage ratios ⁽²⁾	2.32 times	2.45 times

(1) Earnings before interest expense are equal to net income before interest expense on all debt.

(2) Earnings coverage ratios are equal to earnings before interest expense divided by interest expense on all debt.

PLAN OF DISTRIBUTION

Under the Underwriting Agreement, the REIT has agreed to sell and the Underwriters have agreed to purchase on or about September 17, 2004, or on such later date as the REIT and the Underwriters may agree, but in any event not later than September 29, 2004, an aggregate of \$100,000,000 principal amount of Debentures, for total approximate net proceeds to the REIT of \$95,950,000. The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Debentures are joint and not solidary. The offering price of the Debentures has been determined by negotiation between the REIT and the Underwriters.

Under the Underwriting Agreement, the REIT has agreed to pay the Underwriters a fee of \$37.50 per \$1,000 principal amount of Debentures.

Under the Underwriting Agreement, the REIT has agreed that, without the prior written consent of National Bank Financial Inc., for a period of 90 days following the closing of this offering, it will not issue, sell or offer for sale, directly or indirectly, any Units or securities convertible into or exchangeable for Units other than Units issuable in accordance with the DRIP, the Unitholders' Rights Plan, the Unit Option Plan, or any other incentive plan of the REIT, or upon conversion of the Debentures or issuance of Units to the Debenture Trustee in payment of interest on Debentures.

The TSX has conditionally approved the listing of the Debentures and the Units issuable upon conversion of the Debentures. The listing is subject to the REIT fulfilling all of the requirements of the TSX on or before November 29, 2004.

Pursuant to policy statements of the Ontario Securities Commission and the *Agence nationale d'encadrement du secteur financier*, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Debentures. These exceptions include (i) a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities, and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution. Such transactions, if commenced, may be discontinued at any time.

The Debentures offered by this short form prospectus have not been and will not be registered under the United States *Securities Act of 1933*, as amended, or the securities laws of any state, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, these securities may not be offered or sold within the United States of America and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America.

Under the Underwriting Agreement, the REIT has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, employees and agents against certain liabilities on a joint (and not solidary or joint and several) basis.

Each of National Bank Financial Inc., Desjardins Securities Inc. and CIBC World Markets Inc., is a subsidiary of financial institutions which are lenders to the REIT. In addition, the REIT has entered into an agreement to acquire the Acquisition Property from the financial institution of which National Bank Financial Inc. is the subsidiary for an amount of approximately \$30.5 million. See "Recent Developments". Consequently, the REIT may be considered to be a "connected issuer" of those Underwriters under applicable securities legislation. As at September 9, 2004, the actual indebtedness of the REIT to such financial institutions amounted to approximately \$114.5 million in the aggregate; namely approximately \$7.4 million of hypothecary loans owed to the financial institution of which National Bank Financial Inc. is a subsidiary, approximately \$70.2 million of hypothecary loans owed to the financial institution of which Desjardins Securities Inc. is a subsidiary, approximately \$8.3 million of hypothecary loans owed to the financial institution of which CIBC World Markets Inc. is a subsidiary, and approximately \$28.6 million outstanding under the Acquisition Facilities, in respect of which the lenders to the REIT are the financial institutions of which Desjardins Securities Inc. (as to approximately \$20.0 million) and National Bank Financial Inc. (as to approximately \$8.6 million) are subsidiaries. This amount of approximately \$28.6 million will be repaid with a portion of the proceeds of this offering. The REIT is in compliance with the terms of the agreements governing such indebtedness, in all material respects. The decision of each Underwriter which is a subsidiary of an aforesaid financial institution to underwrite this offering was made independently of such financial institutions. In addition, the Underwriters having no "connected issuer" relationship with the REIT, being Scotia Capital Inc., BMO Nesbitt Burns Inc. and Canaccord Capital Corporation, took part in the due diligence process and the decision to proceed with this offering. None of the Underwriters will receive any benefit from this offering, other than its respective portion of the fee payable by the REIT. See "Use of Proceeds".

ELIGIBILITY FOR INVESTMENT

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT, and Desjardins Ducharme Stein Monast, general partnership, counsel to the Underwriters, provided that at the date of closing the REIT qualifies under the Tax Act as a "mutual fund trust" and the Units are listed on a prescribed stock exchange in Canada, then on that date the Debentures will be qualified investments for Deferred Income Plans and RESPs.

Based on representations of the REIT and provided that the REIT qualifies as a mutual fund trust and a registered investment (both within the meaning of the Tax Act) on the date of closing, then on that date the Debentures will not constitute foreign property for the purposes of the tax imposed under Part XI of the Tax Act on Deferred Income Plans, registered investments and other tax exempt entities, including most registered pension funds or plans. RESPs are not subject to the foreign property rules. The Contract of Trust provides that the REIT will not make any investment that would result in the REIT being liable under the Tax Act to pay a tax imposed as a result of holdings by the REIT in foreign property.

The Budget Proposals include a proposal to amend the Tax Act to subject tax-exempt entities such as a trust governed by a registered pension plan, a pension corporation as described in paragraphs 149(1)(o.1) and (o.2) of the Tax Act, and the Canada Pension Plan Investment Board to penalty taxes as a result of their direct or indirect holdings in certain business income trusts (other than exempt trusts) as those terms are defined in the Budget Proposals. These proposed penalty taxes will not apply to Deferred Income Plans or RESPs. Based on a certificate from the REIT regarding certain factual information, the REIT will not be a "business income trust" and would be an "exempt trust" and, as such, the aforementioned tax-exempt entities will not be subject to the proposed penalty taxes. On May 18, 2004, the Minister of Finance announced that the implementation of these proposed amendments is suspended pending further consultation with interested parties, following which further legislative proposals will be announced.

The foregoing opinions assume that prior to the closing of this offering there will be no change in the applicable provisions of the Tax Act, or any administrative position of CCRA which would have an impact on the foregoing opinions. See "Canadian Federal Income Tax Considerations — Status of the REIT — Registered Investments, Qualified Investments, Foreign Property" and "Risk Factors and Investment Considerations — Status for Tax Purposes and Investment Eligibility".

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT, and Desjardins Ducharme Stein Monast, general partnership, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Debentures by a holder who acquires Debentures pursuant to this short form prospectus. This summary is applicable to a holder who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with the REIT and holds the Debentures and any Units acquired under the terms of the Debentures (collectively, the "Securities") as capital property (a "Holder"). Generally, Securities will be considered to be capital property to a Holder provided that the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, a "specified financial institution" or a Holder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Securities acquired pursuant to this short form prospectus.

This summary is based upon the facts set out in this short form prospectus and information and certificates provided by the REIT and takes into account the Tax Proposals, the current provisions of the Tax Act and counsel's understanding, based on publicly available published materials, of the current administrative and assessing practices of the CCRA, all in effect as of the date of this short form prospectus. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurances can be given that this will be the case. There can be no assurances that the CCRA will not change its administrative and assessing practices. With respect to opinions and views based on representations and statements as to matter of fact, counsel has assumed the accuracy of such representations and statements in giving such opinions and views. This summary is also based on the assumption that the REIT will at all times comply with the Contract of Trust, the Indenture, and on the certificate of the REIT as to certain factual matters.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Securities will vary depending on the Holder's particular circumstances. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Securities. Consequently, a prospective Holder should consult the Holder's own tax advisor for advice with respect to the tax consequences of an investment in Securities based on the prospective Holder's particular circumstances.

Taxation of Holders of Debentures

Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder of Debentures disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Holder of Debentures before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder of Debentures' income for a preceding taxation year.

Any other Holder of Debentures will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Holder in that taxation year (depending upon the

method regularly followed by the Holder of Debentures in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder of Debentures' income for a preceding taxation year.

The fair market value of the premium paid by the REIT to a Holder of Debentures on a Put Date will generally be deemed to be interest received at that time by such Holder if such premium is paid by the REIT because of the repayment by it to the Holder of Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the Put Date, of the interest that would have been paid or payable by the REIT on the Debentures for taxation years of the REIT ending after the Put Date.

A Holder of Debentures that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year which will include an amount in respect of interest.

Exercise of Conversion Privilege

A Holder of Debentures who converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units (and associated Rights, if any) so acquired at the time of the exchange and the amount of any cash received in lieu of fractional units. The REIT is of the view that, having regard to the remoteness of the possibility that a Flip-in Event under the Unitholders' Rights Plan will occur such that the Rights will ever become exercisable, the Rights currently have no value. The Holder of Debentures will realize a capital gain or capital loss computed as described below under "— Dispositions of Debentures". In the event that the Units and the Rights are regarded as separate properties, then the cost of same would be equal to their respective fair market value at the time of conversion. The cost to the Holder of any Units or Rights must be averaged with the adjusted cost base of other Units or Rights, respectively, held as capital property by the Holder for the purposes of calculating adjusted cost base.

Redemption or Repayment of Debentures

If the REIT redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder of Debentures does not exercise the conversion privilege prior to such redemption or repayment, the Holder of Debentures will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder of Debentures (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional units. The Holder of Debentures may realize a capital gain or capital loss computed as described below under "— Dispositions of Debentures". The cost to the Holder of the Units so received will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder of Units for the purpose of calculating the adjusted cost base of such Units.

Dispositions of Debentures

A disposition or deemed disposition by a Holder of Debentures will generally result in the Holder of Debentures realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder of Debentures' adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units, which treatment is discussed below under "Taxation of Holders of Units — Dispositions of Units".

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder of Debentures' income, except to the extent such amount was otherwise included in the Holder of Debentures' income, and will be excluded in computing the Holder of Debentures' proceeds of disposition of the Debenture.

A capital gain realized by a Holder who is an individual may give rise to a liability for alternative minimum tax. A “Canadian-controlled private corporation” (as defined in the Tax Act) that disposes of Debentures may be liable to pay an additional refundable tax of 6²/₃% on its “aggregate investment income” for the year which will include an amount in respect of taxable capital gains.

Capital Tax

A Holder of Debentures that is a corporation will not be entitled to include any amount in respect of the Debentures in computing its “investment allowance” for purposes of computing its “taxable capital” (both as defined in the Tax Act) under Part I.3 of the Tax Act.

Taxation of Holders of Units

Trust Distributions

Holders of Units will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for a taxation year, including net realized taxable capital gains (determined for purposes of the Tax Act), that is paid or payable to the Holders of Units in the particular taxation year, whether or not those amounts are reinvested in additional Units pursuant to the DRIP.

The non-taxable portion of any net realized capital gains of the REIT paid or payable to a Holder of Units in a taxation year will not be included in computing the Holders of Units’ income for the year.

The Contract of Trust generally requires the REIT to claim the maximum amount of capital cost allowance available to it in computing its income for tax purposes. Based on the distribution policy, the amount distributed to Unitholders in a year may exceed the net income of the REIT for tax purposes for that year. Distributions in excess of the REIT’s net income for tax purposes in a year, including the three percent additional bonus distribution of Units acquired pursuant to the DRIP, will not generally be included in the Holder of Units’ income for the year. However, such amount (other than the non-taxable portion of the net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Holder of Units) will reduce the adjusted cost base of the Units held by the Holder of Units, and the Holder of Units will realize a capital gain in the year to the extent the adjusted cost base of the Units would otherwise be a negative amount.

The REIT will designate, to the extent permitted by the Tax Act, the portion of the taxable income distributed to Holders of Units as may reasonably be considered to consist of net taxable capital gains of the REIT. Any such designated amount will be deemed for tax purposes to be received by Holders of Units in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below. The REIT will also designate, to the extent permitted by the Tax Act, the portion of taxable dividends received by the REIT from any taxable Canadian corporation owned by the REIT as may reasonably be considered to be an amount included in the income of Holders of Units. Any such designated amount will be deemed for purposes of the Tax Act, other than non-resident withholding tax purposes, to be received by the Holders of Units as a taxable dividend and will be subject to the general rules regarding the taxation of taxable dividends paid by taxable Canadian corporations. Thus, to the extent that amounts are designated as taxable dividends from any taxable Canadian corporation owned by the REIT, they will be subject, *inter alia*, to the gross-up and dividend tax credit provisions in respect of Holders of Units who are individuals, to the refundable tax under Part IV of the Tax Act in respect of Holders of Units that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and to the deduction in computing taxable income in respect of Holders of Units that are corporations.

The cost of Units acquired by reinvestment of distributions pursuant to the DRIP will be the amount of such reinvestment. There will be no net increase or decrease in the adjusted cost base of all of a Holder’s Units as a result of the receipt of Bonus Units under the DRIP. However, the receipt of Bonus Units under the DRIP will result in a per Unit reduction of adjusted cost base to the Holder of Units.

For the purposes of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, whether as a Unit acquired pursuant to the DRIP or otherwise, the cost of the newly-acquired Unit will be averaged

with the adjusted cost base of all of the Units owned by the Holder of Units as capital property immediately before that time.

Dispositions of Units

On the disposition or deemed disposition of a Unit, the Holder of Units will realize a capital gain (or capital loss) equal to the amount by which the Holder of Units' proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the Holder of Units' income.

One-half of any capital gains realized by a Holder of Units and the amount of any net taxable capital gains designated by the REIT in respect of a Holder of Units will be included in the Holder of Units' income as a taxable capital gain. One-half of any capital loss realized by a Holder of Units may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act. Where a Holder of Units that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Holder of Units' capital loss from the disposition will generally be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the Holder of Units, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

A Holder of Units that is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year, which will include an amount in respect of taxable capital gains.

In general terms, net income of the REIT paid or payable to a Holder of Units who is an individual or a certain type of trust, that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of Units may increase the Holder of Units' liability for alternative minimum tax.

Status of the REIT

Qualification as a Mutual Fund Trust

The REIT has elected to be a "mutual fund trust" from the date it was established, and all comments in "Canadian Federal Income Tax Considerations" assume that the REIT will continue to qualify as a "unit trust" and a "mutual fund trust" under the provisions of the Tax Act.

As a "mutual fund trust", the REIT must remain a "unit trust" and must, among other matters, restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property); and (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the REIT; or (iii) any combination of the activities described in (i) and (ii). The REIT must also meet certain prescribed conditions, which currently are that the REIT must have at least 150 Unitholders holding not less than one block of Units (100 Units, if the fair market value of a Unit is less than \$25) of the REIT which are qualified for distribution to the public and each of such Unitholders must hold Units which have an aggregate fair market value of not less than \$500.

All comments in "Canadian Federal Income Tax Considerations" also assume that the REIT is not established or maintained primarily for the benefit of non-residents. Counsel is of the view that the foregoing assumptions are reasonable in light of representations of the REIT, the terms of the Contract of Trust and the restrictions on the ownership of Units and Debentures by non-resident persons which are contained in the Contract of Trust and the Indenture.

If the REIT were not to qualify as a "mutual fund trust", the income tax considerations as described herein would, in some respects, be materially and adversely different. In particular, if the REIT ceases to qualify as a mutual fund trust, the REIT may be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the REIT may have adverse income tax consequences for certain Unitholders.

Registered Investments

The REIT has registered as a registered investment for the purposes of the Tax Act. It may, however, have its registration revoked by the CCRA if it ceases to be a mutual fund trust. The REIT may be liable to pay a special tax under Part XI of the Tax Act by reason of failing to comply with certain restrictions relating to the acquisition of foreign property (as defined in the Tax Act) or by entering into agreements to buy shares of a corporation at a price that may differ from the fair market value thereof. The REIT is required by the Contract of Trust of the REIT to restrict its investments so as to ensure that it will not become liable for such taxes.

Qualified Investments

Provided that the REIT remains a “mutual fund trust” or a “registered investment” for purposes of the Tax Act at a particular time, the Units will be qualified investments for Deferred Income Plans and RESPs at such time. If the REIT ceases to qualify as a mutual fund trust and the REIT’s registration as a registered investment under the Tax Act is revoked, the Units will cease to be qualified investments under the Tax Act for Deferred Income Plans and RESPs. Where, at the end of a month, a Deferred Income Plan or RESP holds units or other properties that are not qualified investments, the Deferred Income Plan or RESP may, in respect of that month, be required to pay a tax under Part XI.1 of the Tax Act. Holding of a non-qualified investment by an RESP can also cause the revocation of the RESP. See “Eligibility for Investment”.

Foreign Property

Provided that the REIT remains a “mutual fund trust” and restricts its holdings of foreign property within the limits provided under the Tax Act (30% based on cost in 2004), or the REIT remains a “registered investment” within the meaning of the Tax Act (as described above), the Units will not constitute foreign property for Deferred Income Plans, or other persons subject to tax under Part XI of the Tax Act. RESPs are not liable for such tax.

Unitholders’ Rights Plan

The REIT is of the view that, having regard to the remoteness of the possibility that a Flip-in Event under the Unitholders’ Rights Plan will occur such that the Rights will ever become exercisable, the Rights currently have no value. If a holder of a Unit is considered to have acquired the Unit and the Right as two separate properties, the holder will be required to allocate the purchase price between the Unit and the Right attached thereto to determine their respective costs for purposes of the Tax Act.

Although a holder of Rights may be required to recognize income if the Rights were to become exercisable or to be exercised, the occurrence of such an event is considered to be a remote possibility.

In the event that Rights are disposed of separately for proceeds of disposition greater than their cost, a holder thereof may realize a capital gain.

Taxation of the REIT

The taxation year of the REIT is the calendar year. In each taxation year, the REIT is subject to tax under the Tax Act on its income for the year, including net realized taxable capital gains, computed in accordance with the detailed provisions of the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable or deemed to be paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

The income for purposes of the Tax Act of the REIT may include income realized from the rental of its rental properties; income payable to it by other trusts in which the REIT is beneficially interested, dividends received from corporations in which it holds shares; and any taxable capital gains or recapture of capital cost allowance arising from dispositions by it of properties.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The REIT may also deduct from its

income for the year a portion of any reasonable expenses incurred by the REIT to issue Debentures or Units. The portion of such issue expenses deductible by the REIT in a taxation year is 20% of such issue expenses pro rated for a taxation year of the REIT that is less than 365 days.

The Contract of Trust provides that as of the last Distribution Date for a taxation year, all the income (other than net taxable capital gains and net recapture income) of the REIT less distributions of the REIT's income for that year made by the REIT shall be paid to Unitholders and its net taxable capital gains and net recapture income shall be paid on the last Distribution Date in the taxation year. The Contract of Trust further provides that the REIT will deduct for tax purposes the maximum amount available to it as deductions unless the Trustees determine otherwise prior to the end of the relevant taxation year. Given that the foregoing amounts paid to Unitholders for the year can be deducted in computing the REIT's income, the REIT generally should not be subject to income tax on its income and its net taxable capital gains under Part I of the Tax Act in any year.

Losses incurred by the REIT cannot be allocated to Unitholders but may be deducted by the REIT in future years in accordance with the Tax Act.

The Tax Act provides for a special tax, the Part XII.2 tax, on the designated income (including income from Canadian real property) of certain trusts which have designated beneficiaries (including non-resident persons and certain tax exempt persons). This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided the REIT qualifies as a mutual trust fund throughout a taxation year, it will not be subject to the special tax for such taxation year.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

An investment in Debentures involves certain risks and investment considerations in addition to those described in the 2003 MD&A and in the AIF. 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 short form prospectus.

Acquisitions and Other Projects

The acquisition of the Acquisition Property is subject to due diligence, commercial risks and certain customary closing conditions such that there is a risk that it may not close on the terms negotiated, on the date anticipated or at all. In July 2004, the vendor of the Acquisition Property received a notice of reservation of expropriation rights from the Government of Québec, in respect of a potential government project in proximity to the Acquisition Property, reserving for a period of two years its rights to expropriate the Acquisition Property, which reservation is renewable. The reservation prohibits, during its term, any construction, improvement or addition on the immovable affected by it, except for repairs. The impact upon the REIT of any such expropriation will depend on a number of factors, including, without limitation, the expropriation proceeds to the REIT.

If the acquisition of the Acquisition Property does not close and the REIT does not utilize the proceeds of this offering to fund the acquisition of the Acquisition Property, other acquisitions or capital expenditures in a timely manner, the issuance of the Debentures pursuant to this offering may be dilutive to future cash distributions.

The REIT has also undertaken certain expansion and development projects, including those described under "Recent Developments", aggregating approximately \$49.0 million. See "Recent Developments" and the 2003 MD&A. There can be no assurance that these projects will be completed or completed in accordance with anticipated timetables or budgets or that the REIT's leasing expectations for these projects will be met. If such projects are not completed or are not completed in accordance with anticipated timetables or budgets, or the REIT's leasing expectations for these projects are not met, there could be a material adverse effect on the operations or the financial position of the REIT.

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, which are expected to be approximately \$277.1 million, taking into account the changes to the loan capital of the REIT set out under “Changes in Units Outstanding and Loan Capital” and after giving effect to this offering and the proposed use of net proceeds therefrom. Neither the REIT, nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured indebtedness.

Matters Affecting Trading Prices for the Debentures and the Units

There is currently no trading market for the Debentures. The TSX has conditionally approved the listing of the Debentures and the Units issuable upon conversion of the Debentures. The listing is subject to the REIT fulfilling all of the requirements of the TSX on or before November 29, 2004. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected.

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.

Another factor 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.

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the Debentures 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. 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 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.

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. See "Description of Debentures — Conversion Rights".

Unitholders' Rights Plan

Under the Unitholders' Rights Plan, one Right in respect of each Unit outstanding at the Record Time (as defined therein) and each Unit which may be issued after the Record Time and prior to the earlier of the Separation Time (as defined therein) and the Expiration Time (as defined therein) shall be issued in accordance with the terms thereof. Notwithstanding the foregoing, in accordance with the Unitholders' Rights Plan one Right in respect of each Unit issued after the Record Time upon the conversion of Debentures outstanding at the Unit Acquisition Time (as defined therein) may be issued after the Separation Time but prior to the Expiration Time. Debentureholders should note that there may be no adjustment to the Conversion Price as a result of the issuance of Rights. See "Description of the Debentures – Conversion Rights". Therefore, in certain circumstances, Debentureholders may wish to convert their Debentures in accordance with the terms of the Indenture in order to receive Rights under the Unitholders' Rights Plan. In addition, prior to exercising any such conversion rights, Debentureholders may wish to review their rights in the event of a Change of Control and their other entitlements under the Indenture. See "Description of the Debentures — Put Right upon a Change of Control".

Ownership of Immovable Property

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

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The REIT's income and Distributable Income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in its properties 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 its properties 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's portfolio is comprised of office, retail, industrial, commercial and mixed-use properties. Although the average lease term of such properties is approximately 5.1 years from June 30, 2004, the REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties of such nature.

The REIT is subject to the risks associated with debt financing, including the risk that existing hypothecary indebtedness secured by its 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 re-financing.

Certain of the leases of such 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.

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.

Short-Term Debt

In the next five fiscal years of the REIT, approximately \$258.8 million of the REIT's \$307.4 million of indebtedness outstanding as at June 30, 2004 (excluding distributions payable to Unitholders as at such date, which have been paid) will become payable. Therefore, the REIT may need to refinance or reimburse amounts outstanding under its existing short-term indebtedness. The ability of the REIT to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the financial performance of the REIT, debt service obligations, working capital and future capital expenditure requirements. In addition, the ability of the REIT to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements, the Indenture and other agreements. A failure to comply with any covenants or obligations under the REIT's indebtedness could result in a default, which, if not cured or waived, could result in the termination of distributions by the REIT and permit acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there could be no assurance that the assets of the REIT would be sufficient to repay such indebtedness in full. There can be no assurance that the REIT will generate sufficient cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs. There can be no assurance that any indebtedness of the REIT could be refinanced or that additional financing on commercially reasonable terms could be obtained, if at all. In the event that such indebtedness cannot be refinanced, or if it can only be refinanced on terms that are less favourable than the current terms, cash distributions by the REIT may be adversely affected. For a description of the principal terms and features of the REIT's short-term debt, see notes 6 and 7 of the 2003 Financial Statements and "Mortgage Activities" in the 2003 MD&A.

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 will be such that most of its obligations will arise by contract, with non-contractual risks being largely insurable. In the event that payment of a REIT obligation were to be made by a Unitholder, such Unitholder would be entitled to reimbursement from the available assets of the REIT.

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

The Trustees will cause the activities of the REIT to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any material risk of liability on the Unitholders for claims against the REIT. The Trustees will, to the extent available on terms which they determine to be practicable, cause the insurance carried by the REIT, to the extent applicable, to cover the Unitholders and annuitants as additional insureds.

Competition

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

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

Dependence on Key Personnel

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

Potential Conflicts of Interest

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

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

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

The Contract of Trust contains “conflicts of interest” provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. The REIT concluded a non-competition agreement with the corporation and partnerships comprising the Dallaire Group and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire, which permits to resolve certain potential conflicts of interest.

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 will also carry insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the REIT would continue to be obligated to repay any hypothecary recourse or mortgage indebtedness on such properties.

Status For Tax Purposes and Investment Eligibility

There can be no assurance that the Tax Act or the judicial interpretation thereof or the administrative and/or assessing practices of the CCRA respecting the conditions to qualify as a mutual fund trust, the treatment of mutual fund trusts or the deductibility of interest will not be changed in a manner which adversely affects Unitholders and Debentureholders. Although the REIT currently qualifies as a “mutual fund trust” and as a registered investment based on information provided by the REIT under the Tax Act, if the REIT ceases to so qualify, the Units will cease to be qualified investments for Deferred Income Plans and RESPs. As well, if the REIT ceases to be a mutual fund trust or if its Units are not listed on a prescribed stock exchange in Canada, then the Debentures shall cease to be qualified investments for Deferred Income Plans and RESPs. In addition, if the REIT ceases to be a mutual fund trust it will be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the REIT may have adverse income tax consequences for certain Unitholders and Debentureholders. The REIT will endeavour to ensure that the Securities constitute and continue to be qualified investments for Deferred Income Plans and RESPs. The Tax Act imposes penalties on Deferred Income Plans and RESPs for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible

investments will be adhered to at any particular time. See “Eligibility for Investment” and “Canadian Federal Income Tax Consideration”.

Although the REIT is of the view that all expenses claimed by it in the determination of its income under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act and that the REIT’s “undepreciated capital cost” has been determined in accordance with the applicable provisions of the Tax Act, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CCRA will agree with the expenses claimed or the determination and computation of the REIT’s “undepreciated capital costs” or the claims made by the REIT in respect thereof. If CCRA successfully challenges the deductibility of such expenses or the correctness of such amounts or claims, the extent to which distributions by the REIT will be income tax deferred would be materially adversely affected. On October 31, 2003, the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business or property in a year if, in that year, it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business, or has held, and can reasonably be expected to hold, that property. The REIT is of the view that it is reasonable to expect that the REIT will realize a cumulative profit from its properties.

Although the REIT is of the view that it is not a “business income trust” and is further of the view that it would be an “exempt trust” as defined in the Budget Proposals, if the REIT were a “business income trust” and were not an “exempt trust”, then certain tax-exempt entities other than Deferred Income Plans and RESPs may be materially and adversely affected. On May 18, 2004, the Minister of Finance announced that the implementation of these proposed amendments is suspended pending further consultation with interested parties, following which further legislative proposals will be announced.

The Department of Finance has indicated that it will continue to evaluate the development of the income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. Accordingly, further changes in this area, in addition to those tabled in the Budget Proposals, are possible. Such changes could result in the income tax considerations described under the heading “Certain Canadian Federal Income Tax Considerations” being materially different in certain respects.

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.

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 Unitholders’ Right Plan, 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 in payment of interest on Debentures. Any issuance of Units may have a dilutive effect on the Unitholders.

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 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.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Debentures offered hereby will be passed upon on behalf of the REIT by Davies Ward Phillips & Vineberg LLP, and on behalf of the Underwriters by Desjardins Ducharme Stein Monast, general partnership. As of the date of this short form prospectus, partners and associates of Davies Ward Phillips & Vineberg LLP, as a group, and partners and associates of Desjardins Ducharme Stein Monast, general partnership, as a group, each owned, beneficially or of record, less than 1% of the outstanding Units.

AUDITORS, TRANSFER AGENT AND REGISTRAR AND DEBENTURE TRUSTEE

The auditors of the REIT are Ernst & Young LLP.

The registrar and transfer agent for the Units is National Bank Trust Inc., at its principal offices in Montreal and Toronto.

The Debenture Trustee is Natcan Trust Company, at its principal offices in Montreal and Toronto.

Each of National Bank Trust Inc. and Natcan Trust Company is an affiliate of National Bank Financial Inc., one of the Underwriters.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. The right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form prospectus dated September 10, 2004 relating to the issue and sale of Debentures of the Cominar Real Estate Investment Trust (the "REIT"). We have complied with Canadian generally accepted standards for an auditors' involvement with prospectus.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the unitholders of the REIT on the consolidated balance sheets of the REIT as at December 31, 2003 and 2002 and the consolidated statements of unitholders' equity, income and cash flows for the years ended December 31, 2003 and December 31, 2002. Our report is dated January 23, 2004.

(signed) Ernst & Young LLP
Chartered Accountants
Québec City, Canada
September 10, 2004

CERTIFICATE OF THE REIT

Dated: September 10, 2004

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

COMINAR REAL ESTATE INVESTMENT TRUST

(signed) Jules Dallaire
Chairman of the Board and Chief Executive Officer

(signed) Michel Berthelot
Executive Vice-President and Chief Financial Officer

On behalf of the Trustees

(signed) Robert Després
Trustee

(signed) Pierre Gingras
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: September 10, 2004

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NATIONAL BANK FINANCIAL INC.

By: (signed) Craig J. Shannon

SCOTIA CAPITAL INC.

By: (signed) Peter L. Slan

DESJARDINS SECURITIES INC.

By: (signed) Jake Herman

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

By: (signed) Line Rivard

By: (signed) Mark G. Johnson

CANACCORD CAPITAL CORPORATION

By: (signed) Allan D. Strathdee