

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

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state. Accordingly, these securities may not be offered or sold within the United States of America, its possessions and other areas subject to its jurisdictions or to, or for the account of, a U.S. Person (as defined in Regulation S under the 1933 Act), except in limited circumstances. See "Plan of Distribution". **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 du Marais, Québec City, Québec, G1M 3A2, telephone (418) 681-8151, and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purposes of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Secretary of the REIT at the above-mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM PROSPECTUS

New Issue

April 27, 2007



### COMINAR REAL ESTATE INVESTMENT TRUST

**\$170,000,700**

**7,113,000 Subscription Receipts each representing the right to receive one Unit  
and  
\$70,000,000**

#### **Series B 5.70% Convertible Unsecured Subordinated Debentures**

This short form prospectus relates to the distribution of 7,113,000 subscription receipts (the "Subscription Receipts") of Cominar Real Estate Investment Trust (the "REIT") at a price of \$23.90 per Subscription Receipt and \$70,000,000 aggregate principal amount of Series B 5.70% convertible unsecured subordinated debentures (the "Debentures") of the REIT due June 30, 2014 at a price of \$1,000 per Debenture. Each Subscription Receipt will entitle the holder thereof to receive one unit of the REIT (a "Unit") upon closing of the acquisition (the "Acquisition") of the Cominar Acquisition Properties (as defined herein) and without payment of additional consideration. See "Description of the Subscription Receipts", "Recent Developments" and "The Acquisition". The Debentures bear interest at an annual rate of 5.70% payable semi-annually in arrears on June 30 and December 31 in each year commencing on June 30, 2007. See "Description of the Debentures".

The Dallaire Group (as defined herein), one of the principal unitholders of the REIT, has confirmed its intention to purchase 1,464,435 of the Subscription Receipts offered hereby, representing a total investment of approximately \$35 million.

#### **The Subscription Receipts**

The proceeds from the sale of the Subscription Receipts net of half of the Underwriter's fee payable with respect to the Subscription Receipts (the "Escrowed Funds") will be held by Computershare Trust Company of Canada, as subscription receipt agent (the "Subscription Receipt Agent"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending completion of the Acquisition or the occurrence of the Termination Time (as defined below). Upon the completion of the Acquisition and satisfaction of the other conditions to the exchange of the Subscription Receipts, the Escrowed Funds will be released to the REIT and one Unit will be issued for each Subscription Receipt. The REIT will utilize the Escrowed Funds to pay a portion of the purchase price for the Acquisition.

If the closing of the Acquisition does not take place on or before 5:00 p.m. (Montreal time) on August 31, 2007 (the "Deadline"), if the REIT delivers to National Bank Financial Inc. ("NBF") (on its own behalf and for and on behalf of the Underwriters) and the Subscription Receipt Agent, a notice executed by the REIT that the Purchase Agreement (as defined herein) has been terminated or that the REIT will not be proceeding with the Acquisition, or if the REIT formally announces to the public by way of a press release that it does not intend to proceed with the Acquisition (in any case, the "Termination Time"), holders of Subscription Receipts shall be entitled to receive an amount equal to the full Subscription Price and their *pro rata* entitlements to the Earned Interest (as defined herein).

If the closing of the Acquisition occurs on or before the Deadline and holders of Subscription Receipts become entitled to receive Units, such holders will also be entitled to receive, without duplication, an amount, if any, representing the Subscription Receipt Adjustment Payment (as defined herein), less applicable withholdings taxes, if any, for each Subscription Receipt so held, provided that to the extent that the Subscription Receipt Adjustment Payment represents amounts in respect of cash distributions on the underlying Units for which record dates have occurred and have not yet been paid, such amounts shall not be payable to holders of Subscription Receipts, unless the REIT otherwise elects, until the date the such related cash distributions are paid to unitholders of the REIT ("Unitholders"). See "Description of the Subscription Receipts".

#### **The Debentures**

Each Debenture is convertible into Units at the option of the holder at any time prior to 4:00 p.m. (Montreal time) on the earlier of June 30, 2014, and the last business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$27.50 per Unit (the "Conversion Price"), being a conversion rate of 36.36 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 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, 2010, 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, 2010 and prior to June 30, 2012, 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, 2012 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 Subscription Receipts or the Debentures may be sold and purchasers may not be able to resell the Subscription Receipts or the Debentures. This may affect the pricing of the Subscription Receipts and the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Subscription Receipts and of the Debentures and the extent of issuer regulation. See “Risk Factors and Investment Considerations”.** The TSX has conditionally approved the listing of the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and upon conversion of the Debentures, subject to compliance with all the requirements of the TSX on or before July 26, 2007. The outstanding Units are listed on the TSX under the symbol CUF.UN. On April 13, 2007, the last trading day prior to the announcement of this offering, the closing price per Unit on the TSX was \$24.12 and on April 26, 2007, the closing price per Unit on the TSX was \$24.00.

The REIT is an unincorporated closed-end investment trust governed by the laws of the Province of Québec. The head office of the REIT is located at 455, rue du Marais, Quebec City, Québec, G1M 3A2. **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 Subscription Receipts nor the Debentures nor the Units issued pursuant to the Subscription Receipts and 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.** Dominion Bond Rating Service (“DBRS”) has established the stability rating of the REIT at STA-3 (low). A stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. DBRS credit ratings are listed on a rating scale which represents an indication of both the stability and sustainability of the income fund’s distributable income. Ratings range from STA-1, being the highest rating, to STA-7, being the lowest rating. In addition, DBRS further separates the ratings into “high”, “middle” and “low” subcategories. Ratings take into consideration seven main factors: (i) sector characteristics; (ii) asset quality; (iii) financial flexibility; (iv) diversification; (v) size and market position; (vi) sponsorship/governance; and (vii) growth. The credit rating STA-3 is the third ranking category out of seven granted by DBRS with respect to income funds. According to DBRS, this rating category reflects good distributions per unit stability and sustainability.

**Although the REIT intends to make distributions of its available cash to Unitholders, these cash distributions are not assured.** A return on an investment in the REIT is not comparable to the return on an investment in a fixed-income security. 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 Subscription Receipts or 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 Subscription Receipts or 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 Subscription Receipt or a Debenture by holders 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 Subscription Receipts and Debentures will qualify as eligible investments as set forth under “Eligibility for Investment”.

**Price: \$23.90 per Subscription Receipt**  
**Price: \$1,000 per Debenture**

	Price to the public <sup>(1)</sup>	Underwriters’ fee <sup>(2)</sup>	Net Proceeds to the REIT <sup>(3)</sup>
Per Subscription Receipt .....	\$23.90	\$0.956	\$22.944
Total Subscription Receipts .....	\$170,000,700.00	\$5,400,028.14	\$164,600,671.86
Per Debenture .....	\$1,000.00	\$37.50	\$962.50
Total Debentures.....	\$70,000,000.00	\$2,625,000.00	\$67,375,000.00
Total Subscription Receipts and Debentures <sup>(4)</sup> .....	\$240,000,700.00	\$8,025,028.14	\$231,975,671.86

Notes:

- (1) The terms of this offering and the price of the Subscription Receipts and the Debentures (collectively, the “Securities”) have been determined by negotiation between the REIT and the Underwriters.
- (2) The Underwriters’ fee with respect to the Subscription Receipts is payable as to 50% upon closing of this offering and 50% on release of the Escrowed Funds to the REIT. If the Acquisition is not completed, the Underwriters’ fee with respect to the Subscription Receipts will be reduced to the amount payable upon closing of this offering. The Underwriters’ fee with respect to the Debentures is payable in full upon closing of this offering. No fee is payable upon Subscription Receipts sold to the Dallaire Group. This short form prospectus assumes that the Dallaire Group will purchase 1,464,435 Subscription Receipts.
- (3) Before deducting the expenses of this offering, which are estimated to be approximately \$500,000 and excluding interest, if any, on the Escrowed Funds.
- (4) The REIT has granted to the Underwriters an option (the “Subscription Receipt Over-Allotment Option”) to purchase up to an additional 1,066,950 Subscription Receipts at a price of \$23.90 per Subscription Receipt on the same terms and conditions as this offering of Subscription Receipts, exercisable in whole or in part from time to time, not later than the earlier of (i) the 30<sup>th</sup> day following the closing of this offering, and (ii) the Termination Time, and for market stabilization purposes and to cover over-allotments, if any. If the Subscription Receipt Over-Allotment Option is exercised in whole or in part following the closing of the Acquisition, an equal number of Units will be issued in lieu of Subscription Receipts. The REIT has also granted to the Underwriters an option (the “Debenture Over-Allotment Option”) to purchase up to an additional \$10,500,000 aggregate principal amount of Debentures on the same terms and conditions as this offering of Debentures, exercisable in whole or in part from time to time, not later than the 30<sup>th</sup> day following the closing of this offering for market stabilization purposes and to cover over-allotments, if any. If the Subscription Receipt Over-Allotment Option and the Debenture Over-Allotment Option (collectively, the “Over-Allotment Options”) are exercised in full, the total price to the public, Underwriters’ fee and net proceeds to the REIT (before deducting the estimated expenses of this offering) will be \$276,000,805, \$9,438,782 and \$266,562,022 respectively. This short form prospectus qualifies the distribution of the Subscription Receipts and the Debentures issuable on the exercise of the Over-Allotment Options and their subsequent transfer, as well as the Units issuable in lieu of Subscription Receipts if the Subscription Receipt Over-Allotment Option is exercised in whole or in part following the closing of the Acquisition. See “Plan of Distribution”. Unless otherwise indicated, the disclosure in this short form prospectus assumes that the Over-Allotment Options have not been exercised.

<b>Underwriters' Position</b>	<b>Maximum size or number of securities held</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option .....	Option to sell up to 1,066,950 Subscription Receipts and up to \$10,500,000 aggregate principal amount of Debentures (being up to 15% of the number of the Securities sold)	The exercise period of the Over-Allotment Options is set forth above	\$23.90 per Subscription Receipt and \$1,000 per Debenture

The Underwriters of this offering are NBF, RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Canaccord Capital Corporation, Genuity Capital Markets G.P. and Raymond James Ltd. (collectively, the "Underwriters"). The Underwriters, as principals, conditionally offer the Subscription Receipts and 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, L.L.P. In accordance with and subject to applicable laws, the Underwriters may effect transactions that stabilize or maintain the market price of the Subscription Receipts and the Debentures. See "Plan of Distribution".

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 Securities 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 May 8, 2007 or such later date as the REIT and the Underwriters may agree, but in any event not later than May 31, 2007. Securityholders will not be entitled to receive physical certificates representing their ownership. See "Description of the Debentures — Book-Entry, Delivery and Form" and "Description of the Subscription Receipts".

**Each of NBF, RBC Dominion Securities Inc., CIBC World Markets Inc. and Desjardins Securities Inc., four of the Underwriters, is a subsidiary of financial institutions which are among the REIT's principal lenders. Consequently, the REIT may be considered a "connected issuer" of such Underwriters within the meaning of applicable securities legislation. As at April 26, 2007, the actual indebtedness of the REIT to such financial institutions amounted to approximately \$110.6 million in the aggregate. See "Plan of Distribution".**

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### ABOUT THIS PROSPECTUS

Unless otherwise indicated, the disclosure in this short form prospectus assumes that the Over-Allotment Options have not been exercised.

**The information concerning Homburg, Alexis Nihon and the Cominar Acquisition Properties contained in this short form prospectus is based solely upon publicly available information, has not been independently verified and there can be no assurances regarding the accuracy and completeness of this information.**

In this short form prospectus, unless otherwise specified, all references to “dollars” or “\$” are to Canadian dollars.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference therein, constitute forward-looking statements. These statements relate to future events or the REIT's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. While the REIT believes that the expectations reflected in the forward-looking statements contained in this short form prospectus, and in its documents incorporated by reference therein, are reasonable, no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in, or incorporated by reference in such documents should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference therein, as the case may be. The REIT does not assume any obligation to update the aforementioned forward-looking statements. The REIT's actual results could differ materially from those anticipated in the aforementioned forward-looking statements, as applicable, including as a result of the risk factors set forth elsewhere in this short form prospectus.

## NON-GAAP FINANCIAL MEASURES

The REIT issues guidance on and reports on certain non-GAAP measures, including “net operating income”, “distributable income”, “funds from operations” and “adjusted funds from operations”, that it uses to evaluate its performance. Because non-GAAP measures do not have a standardized meaning and may differ from other issuers’, securities regulations requires that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. Such information is presented in the sections dealing with these financial measures herein and in the documents incorporated by reference herein.

## DOCUMENTS INCORPORATED BY REFERENCE

**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, 455, rue du Marais, Quebec City, Québec, G1M 3A2, Telephone: (418) 681-8151, and are also available electronically at [www.sedar.com](http://www.sedar.com). 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 without charge from the Secretary of the REIT at the above-mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com).

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 annual information form of the REIT dated March 30, 2007 (the “AIF”);
- (ii) the comparative audited consolidated financial statements of the REIT for the year ended December 31, 2006, together with the notes thereto and the auditors’ report thereon (the “2006 Financial Statements”);
- (iii) management’s discussion and analysis of operating results and financial position of the REIT for the year ended December 31, 2006 (the “2006 MD&A”);
- (iv) the management information circular of the REIT dated March 26, 2007 (the “Circular”) in connection with the annual meeting of Unitholders of the REIT to be held on May 15, 2007;
- (v) the material change report of the REIT dated February 1, 2007 with respect to the increase in the REIT’s Cash Offer (as defined herein) and the extension of the expiry thereof;
- (vi) the material change report of the REIT dated February 27, 2007 with respect to the Acquisition and the termination of the Combination Agreement (as defined herein); and
- (vii) the material change report of the REIT dated April 18, 2007 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.

## PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this short form prospectus.

<b>Issuer:</b>	Cominar Real Estate Investment Trust
<b>Subscription Receipt Offering:</b>	7,113,000 Subscription Receipts (8,179,950 Subscription Receipts if the Subscription Receipt Over-Allotment Option is exercised in full)
<b>Subscription Receipt Price:</b>	\$23.90 per Subscription Receipt
<b>Debenture Offering:</b>	\$70,000,000 aggregate principal amount (\$80,500,000 if the Debenture Over-Allotment Option is exercised in full)
<b>Debenture Price:</b>	\$1,000 per Debenture
<b>Aggregate Amount of Subscription Receipt offering and Debenture offering:</b>	\$240,000,700

**Use of Proceeds:** The estimated total net proceeds to be received by the REIT from this offering will amount to approximately \$231.5 million (approximately \$266.1 million if the Over-Allotment Options are exercised in full), after deducting the Underwriters' fee in respect of the Securities issued and sold by the REIT and the estimated expenses of this offering. The net proceeds from the sale of the Subscription Receipts (following the release of the Escrowed Funds by the Subscription Receipt Agent) will be entirely used to finance a portion of the Acquisition. The net proceeds from the sale of the Debentures will be used as to approximately \$51 million to repay amounts outstanding under the General Acquisition Facilities, as to approximately \$16 million to repay certain hypothecary loans on income producing properties which will mature in the near future and the balance will be used for general purposes. Indebtedness incurred under the General Acquisition Facilities and hypothecary loans was used by the REIT to acquire real estate properties and to refinance indebtedness of the REIT.

**Pro Forma Debt Ratio:** 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 April 26, 2007 is estimated by management of the REIT to increase from approximately 47.7% to 56.8%, including convertible debentures. See "Changes in Units Outstanding and Loan Capital".

**Portfolio Composition:** Upon completion of the Acquisition, the REIT will own 199 properties composed of 35 office, 32 retail and 132 industrial and mixed-use properties. The REIT's portfolio on a *pro forma* basis, giving effect to the Acquisition as of December 31, 2006, will continue to be well diversified in the office, retail, industrial and mixed-use segments:



## Subscription Receipts

**The Escrowed Funds:** The Subscription Receipts will be issued at the closing of this offering pursuant to the Subscription Receipt Agreement. The Subscription Receipt Proceeds less the applicable Subscription Receipts Initial Underwriters' Fee Payment will be delivered to and held by the Subscription Receipt Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the closing of the Acquisition. Provided that the Acquisition Closing Time occurs on or before the Deadline, the Escrowed Funds will be released to the REIT and the Underlying Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration, one Unit for each Subscription Receipt held. The Escrowed Funds may be subject to a special release to the REIT or, at its direction, under other escrow conditions, in order to facilitate the actual closing of the Acquisition.

**Completion of the Acquisition:** If the Acquisition Closing Time does not occur on or before the Deadline, if the REIT delivers to NBF (on its own behalf and for and on behalf of the Underwriters) and the Subscription Receipt Agent, a notice executed by the REIT that the Purchase Agreement has been terminated or that the REIT will not be proceeding with the Acquisition, or if the REIT formally announces to the public by way of a press release that it does not intend to proceed with the Acquisition (in any case, the "Termination Time"), holders of Subscription Receipts shall be entitled to receive an amount equal to the full Subscription Price and their *pro rata* entitlements to the Earned Interest. Since the Subscription Receipts Initial Underwriters' Fee Payment is paid to the Underwriters from the aggregate Subscription Price at the closing of this offering, the REIT will be responsible for making up the difference to holders of Subscription Receipts at the Termination Time in respect of the Subscription Receipts Initial Underwriters' Fee Payment.

**Distributions:** If the Acquisition Closing Time occurs on or before the Deadline and holders of Subscription Receipts become entitled to receive Units pursuant to the Subscription Receipt Agreement, such holders will also be entitled to receive, without duplication, no earlier than the third Subscription Receipt Business Day following the Acquisition Closing Date, an amount, if any, representing the Subscription Receipt Adjustment Payment, less applicable withholdings taxes, if any, for each Subscription Receipt so held, provided that to the extent that the Subscription Receipt Adjustment Payment represents amounts in respect of cash distributions on the Underlying Units for which record dates have occurred (during the period from and including the date of the closing of this offering to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement) and have not yet been paid, such amounts shall not be payable to holders of Subscription Receipts, unless the REIT otherwise elects, until the date that such related cash distributions are paid to Unitholders. In addition, in such event, Earned Interest shall be for the benefit of the REIT.

## Debentures

- Maturity:** June 30, 2014
- Interest:** 5.70% payable semi-annually in arrears on June 30 and December 31 in each year commencing on June 30, 2007.
- Conversion:** Each Debenture is convertible into Units at the option of the holder at any time prior to 4:00 p.m. (Montreal time) on the earlier of June 30, 2014, and the last business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$27.50 per Unit (the “Conversion Price”), being a conversion rate of 36.36 Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the provisions of the Indenture. 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 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”.**
- Redemption:** The Debentures are not redeemable prior to June 30, 2010, except in the event of a Change of Control. On or after June 30, 2010 and prior to June 30, 2012, 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 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, 2012 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.
- Payment upon Redemption or 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.
- In addition, subject to applicable regulatory approval, Units may be issued to the Debenture Trustee and sold, with the proceeds used to satisfy the obligations to pay



interest on the Debentures. See “Description of the Debentures — Method of Payment”.

**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 plus accrued and unpaid interest up to but excluding the Put Date. See “Description of the Debentures — Put Right upon a Change of Control”.

**Subordination:**

The Indenture provides that the Debentures are subordinated in right of payment to all present and future Senior Indebtedness 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.

## GLOSSARY

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

“**1933 Act**” means the United States *Securities Act of 1933*.

“**Acquisition**” means the direct and/or indirect acquisition by the REIT from Alexis Nihon Real Estate Investment Trust and its wholly-owned entities of all of the Cominar Acquisition Properties pursuant to the terms of the Purchase Agreement.

“**Acquisition Closing Date**” has the meaning ascribed thereto under “The Acquisition — Purchase Agreement”.

“**Acquisition Closing Time**” means the time on the Acquisition Closing Date on which the Acquisition is completed.

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

“**Alexis Nihon**” means the Alexis Nihon Real Estate Investment Trust.

“**Alexis Nihon Units**” means a unit of interest in Alexis Nihon.

“**AM Total Investments**” means AM Total Investments (GP), a general partnership established under the laws of the Province of Québec, all the partnership interests of which are owned directly or indirectly by CFA, and which general partnership holds most of the Units owned by the Dallaire Group.

“**AN Head Lease**” means the head lease entered into between certain members of the Nihon/Massicotte Group and Alexis Nihon on December 20, 2002, pursuant to which certain members of the Nihon/Massicotte Group leased approximately 218,097 square feet of leasable area from Alexis Nihon in order to provide unitholders of Alexis Nihon with stable, predictable revenues in respect of certain vacant spaces expected to be leased in the near term.

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

“**Associate**” means, where used to indicate a relationship between a person and a corporation, a person who beneficially owns, directly or indirectly, voting securities carrying more than ten percent of the voting rights attached to all voting securities of the corporation, a spouse of such individual or an immediate family member of such individual, where used to indicate a relationship between a person and a partnership, a partner of that partnership and, if such partner is an individual, a spouse of such individual or an immediate family member of such individual, and where used to indicate a relationship between a person and a trust, a beneficiary or trustee of that trust and, if such person is a beneficiary or trustee of such trust, a spouse of such individual or any immediate family member of such individual.

“**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.

“**Bridge Credit Facility**” has the meaning ascribed thereto under “Bridge Credit Facility”.

“**Cash Offer**” means the cash offer of the REIT for the Alexis Nihon Units.

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

“**CRA**” means the Canada Revenue Agency.

“**CDS**” means the Canadian Depository for Securities Limited.

“**CFA**” means Corporation Financière Alpha (CFA) Inc., a legal person incorporated under the laws of the Province of Québec, the shares of which are owned by the Dallaire Family, and which directly and indirectly controls AM Total Investments.

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

“**Co-ownership Properties**” has the meaning ascribed thereto under “The Acquisition — Description of Cominar Acquisition Properties”.

“**Combination Agreement**” means the combination agreement between Alexis Nihon and the REIT dated December 3, 2006, as amended. The Combination Agreement has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) by each of the REIT and Alexis Nihon and was terminated by Alexis Nihon on February 19, 2007.

“**Cominar Acquisition Properties**” means, collectively, the properties set forth in Schedule 1 attached to the Purchase Agreement and described herein under “The Acquisition — Description of Cominar Acquisition Properties”.

“**Cominar Deposit**” has the meaning ascribed thereto under “The Acquisition — Purchase Agreement”.

“**Contract of Trust**” means the contract of trust made as of March 31, 1998, as amended as of May 8, 1998, as of May 13, 2003 and as of May 11, 2004, 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 the estate and wife of the late Jules Dallaire, the children of the late Jules Dallaire, namely Michel Dallaire, Linda Dallaire, Sylvie Dallaire and Alain Dallaire, and related trusts.

“**Dallaire Group**” means, collectively, AM Total Investments, CFA and the Dallaire Family.

“**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”.

“**Deadline**” means 5:00 p.m. (Montreal time) on August 31, 2007.

“**DBRS**” means DBRS Limited.

“**Debenture**” means a Series B 5.70% 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 Over-Allotment Option**” has the meaning ascribed thereto under “Plan of Distribution”.

“**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, deferred profit sharing plans and registered education savings 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.

**“Earned Interest”** means the interest or other income actually earned on the investment of the Escrowed Funds from the closing of this offering to, but not including, the earlier to occur of the Acquisition Closing Date and the Termination Time.

**“EBITDA”** means earnings before interest, taxes, depreciation and amortization.

**“Escrowed Funds”** means an amount equal to the Subscription Receipt Proceeds less the applicable Subscription Receipts Initial Underwriters’ Fee Payment, any investments acquired from time to time with such funds and the Earned Interest.

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

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

**“GAAP”** means Canadian generally accepted accounting principles.

**“General Acquisition Facilities”** means, collectively, the REIT’s current acquisition facilities in the aggregate amount of \$118 million in connection with which the lenders are the financial institutions of which two of the Underwriters, NBF and Desjardins Securities Inc., are subsidiaries.

**“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.

**“holders of Subscription Receipts”** means the persons who are registered owners of the Subscription Receipts.

**“Homburg”** means Homburg Invest Inc.

**“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 independent (as defined in the corporate governance guidelines of the Canadian Securities Administrators) of 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”.

**“Issue Time”** means the Acquisition Closing Time.

**“NBF”** means National Bank Financial Inc.

**“Nihon/Massicotte Group”** means, collectively, the Robert A. Nihon family and the Paul J. Massicotte family, and their respective affiliates, associates and Associates or, where the context may require, any one or more of the foregoing.

**“NOI”** means net operating income.

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

**“Over-Allotment Options”** means the Subscription Receipt Over-Allotment Option and the Debenture Over-Allotment Option.

**“Participant”** means a participant in the depository services of CDS.

**“Purchase Agreement”** means the letter agreement bearing the date of February 19, 2007 between the REIT and Homburg in respect of the sale by Alexis Nihon and its wholly-owned entities to the REIT of the Cominar Acquisition Properties, as amended, supplemented or otherwise modified from time to time. The Purchase Agreement has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) by each of the REIT and Homburg.

**“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 except as otherwise set forth herein.

**“Sale Condition”** has the meaning ascribed thereto under “The Acquisition — Purchase Agreement”.

**“Securities”** means, collectively, the Subscription Receipts and the Debentures.

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

**“Subscription Price”** means the sum of \$23.90 per Subscription Receipt.

**“Subscription Receipt Adjustment Payment”** means an amount per Subscription Receipt equal to the amount per Unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including the date of the closing of this offering to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement in circumstances in which the Acquisition is completed.

**“Subscription Receipt Agent”** means Computershare Trust Company of Canada.

**“Subscription Receipt Agreement”** means the subscription receipt agreement to be dated the date of closing of this offering among the REIT, NBF, on its own behalf and on behalf of the Underwriters, and the Subscription Receipt Agent, governing the terms of the Subscription Receipts.

“**Subscription Receipt Business Day**” means any day which is not Saturday or Sunday or a statutory holiday in the Province of Québec or Ontario or any other day on which the business of the Subscription Receipt Agent (in the Province of Québec) and Canadian chartered banks are generally closed.

“**Subscription Receipt Over-Allotment Option**” has the meaning ascribed thereto under “Plan of Distribution”.

“**Subscription Receipt Proceeds**” means the aggregate of the Subscription Price.

“**Subscription Receipts**” means the subscription receipts of the REIT offered hereby.

“**Subscription Receipts Initial Underwriters’ Fee Payment**” means 50% of the fee payable to the Underwriters in respect of the issuance on or prior to the Acquisition Closing Time of Subscription Receipts to the public pursuant to the Underwriting Agreement, and upon any subsequent issuance of Subscription Receipts to the public pursuant to the Underwriting Agreement, 50% of the fee payable to the Underwriters’ in respect of any such subsequent issuance of Subscription Receipts pursuant to the Underwriting Agreement.

“**Summit**” means Summit Real Estate Investment Trust.

“**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.

“**Termination Fee**” means a sum equal to \$12,500,000, payable under the Combination Agreement.

“**Termination Time**” means the earliest of: (i) the Deadline; (ii) the date upon which the REIT delivers to NBF (on its own behalf and for and on behalf of the Underwriters) and the Subscription Receipt Agent, a notice executed by the REIT that the Purchase Agreement has been terminated or that the REIT will not be proceeding with the Acquisition; and (iii) the date upon which the REIT formally announces to the public by way of a press release that it does not intend to proceed with the Acquisition.

“**Transfer Agent**” means Computershare Investor Services Inc.

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

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

“**Underlying Units**” means the Units issuable to the Holders without payment of additional consideration at the Issue Time.

“**Underwriters**” means NBF, RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Canaccord Capital Corporation, Genuity Capital Markets G.P. and Raymond James Ltd.

“**Underwriting Agreement**” means the agreement dated April 19, 2007 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.

## 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 Quebec 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 Quebec 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 145 office, retail, industrial and mixed-use properties, of which 90 are located in the greater Quebec City area, 55 are located in the greater Montreal area and one is located in the National Capital region. The portfolio comprises approximately 2.5 million square feet of office space, 2.3 million square feet of retail space and 5.6 million square feet of industrial and mixed-use space, representing, in the aggregate, approximately 10.4 million square feet of leasable area. As at December 31, 2006, the REIT's portfolio was approximately 94.4% leased. The REIT's properties are mostly situated in prime locations along major traffic-arteries and benefit from high visibility and easy access by both tenants and tenants' customers.

The REIT 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.

The Dallaire Group directly and indirectly own 7,383,914 Units (representing approximately 19.8% of the Units issued and outstanding as at April 26, 2007), and all important decisions made by CFA in respect of the REIT are controlled by Michel Dallaire, the President and Chief Executive Officer of the REIT. The Dallaire Group has confirmed its intention to purchase 1,464,435 of the Subscription Receipts offered hereby representing a total investment of approximately \$35 million. The Dallaire Group's interest in the REIT *pro forma* this offering will increase to approximately 19.9%.

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 approximately 120 full-time employees. The head office of the REIT is located at 455, rue du Marais, Quebec City, Québec, G1M 3A2.

## BACKGROUND TO THE ACQUISITION

On December 3, 2006, the REIT entered into a combination agreement (the "Combination Agreement") with Alexis Nihon Real Estate Investment Trust ("Alexis Nihon") to create one of Québec's largest commercial property owners. Under the terms of the Combination Agreement, as amended on December 20, 2006 and subsequently on January 24, 2007, the REIT proposed to acquire all of the issued and outstanding units of Alexis Nihon (the "Alexis Nihon Units") for either: (i) \$18.50 in cash per Alexis Nihon Unit, up to a maximum of \$138.75 million Alexis Nihon Units in the aggregate, pursuant to a cash offer (the "Cash Offer"); or (ii) 0.77 of a Unit up to a maximum of 17,284,777 Units, on a tax-deferred, rollover basis. The REIT was entitled to receive from Alexis Nihon, if the Combination Agreement was terminated, in certain circumstances, a termination fee in the amount of \$12.5 million (the "Termination Fee").

The Combination Agreement was terminated by Alexis Nihon on February 19, 2007 and on the same date, Alexis Nihon entered into a support agreement with Homburg. On the same date, the REIT and Homburg entered into the Purchase Agreement pursuant to which they agreed that, within 60 days of the successful completion of the Homburg offer for the Alexis Nihon Units, Homburg will cause Alexis Nihon to sell its industrial and office

properties (the “Cominar Acquisition Properties”) to the REIT for \$592 million, including the assumption of debt related to those properties. See “Recent Developments”.

## RECENT DEVELOPMENTS

The following is a summary of significant developments in the operations and affairs of the REIT which have occurred since December 31, 2006.

1. On January 11, 2007, Summit Real Estate Investment Trust (“Summit”), an entity controlled by ING Real Estate Canada Trust, announced that it had entered into a binding agreement to acquire 2,791,488 Alexis Nihon Units through a private agreement and that it therefore beneficially owned a total of 5,324,963 Alexis Nihon Units, then representing approximately 19.9% of the issued and outstanding Alexis Nihon Units.
2. On January 12, 2007, the REIT completed the acquisition of a 457,606 square feet lot of land for future developments located in Quebec City, Québec, for a total consideration of approximately \$1.9 million, paid in cash.
3. On January 19, 2007, Homburg announced that it had acquired 1,917,895 Alexis Nihon Units pursuant to a private agreement and beneficially owned a total of 2,312,295 Alexis Nihon Units, then representing approximately 8.6% of the Alexis Nihon Units.
4. On January 22, 2007, the REIT completed the acquisition of a 25,564 square foot industrial and mixed-use property located at 19100-19180 Trans-Canadian Highway in Baie d’Urfé, Québec, for a total consideration of \$2.1 million, payable as to approximately \$747,648 in cash and as to the balance by the assumption of two hypothecs charging the property.
5. On January 24, 2007, the Combination Agreement was amended in order to provide for, among other things, the increase of the cash component of the proposed combination between the REIT and Alexis Nihon from \$17.00 to \$18.50, and of a waiver of the application of certain sections of the Combination Agreement allowing Alexis Nihon to grant access to material non public information and to participate in discussions with respect to a potential “Acquisition Proposal” with Summit, ING Real Estate Canada and Homburg, in certain circumstances.
6. On January 24, 2007, Homburg announced that it had acquired an additional 2,962,244 Alexis Nihon Units pursuant to a private agreement and beneficially owned a total of 5,274,539 Alexis Nihon Units, then representing approximately 19.5% of the Alexis Nihon Units.
7. On January 26, 2007 and January 30, 2007, the REIT completed the acquisition of a 955,918 square foot lot of land for future developments located in St-Romuald, Québec, for a total consideration of approximately \$4.0 million, payable as to approximately \$1.17 million in cash and approximately \$2.83 million as a balance of sale.
8. On February 14, 2007, Homburg announced its intention to make an all cash offer to acquire all the issued and outstanding Alexis Nihon Units that it did not already own at a price of \$18.50 per Alexis Nihon Unit.
9. On February 16, 2007, the REIT completed the acquisition of a 8,276 square foot lot of land for future developments located in Quebec City, Québec, for a total consideration of \$150,000, paid in cash.
10. On February 16, 2007, Homburg submitted to Alexis Nihon a binding proposal to make an all cash offer to acquire all the issued and outstanding Alexis Nihon Units that it did not already own at a price of \$18.60 per Alexis Nihon Unit, subject to the execution of a support agreement substantially upon the same terms and conditions as the Combination Agreement, including a termination fee of \$12,500,000.
11. On February 16, 2007, the board of trustees of Alexis Nihon met with its legal and financial advisors and determined unanimously (with Robert A. Nihon abstaining), upon recommendation from its transaction committee, that Homburg’s binding proposal was an “Acquisition Proposal” and a “Superior Proposal” within the meaning of



the Combination Agreement. Alexis Nihon then notified the REIT of its determination, allowing it to exercise its five-day right to match Homburg's proposal under the Combination Agreement.

12. On February 19, 2007, the REIT completed the acquisition of a 8,920 square feet of land adjacent to 650 Godin Street in Quebec City, Québec, for a total consideration of \$20,070, paid in cash.

13. On February 19, 2007, the REIT advised Alexis Nihon that it was ready to waive its five-day right to match Homburg's proposal and to waive, under certain circumstances, its right to the Termination Fee but only in relation with Homburg's proposal, if it is completed.

14. On February 19, 2007, the board of trustees of Alexis Nihon met with its legal and financial advisors, received a verbal report and a favourable recommendation from its transaction committee, received from CIBC World Markets Inc. a fairness opinion dated as of that date, and approved and authorized the termination of the Combination Agreement and the execution of a support agreement with Homburg. The board of trustees of Alexis Nihon unanimously determined (with Robert A. Nihon abstaining) that the Homburg offer was fair to the Alexis Nihon unitholders and was in the best interests of Alexis Nihon and its unitholders, and unanimously resolved (with Robert A. Nihon abstaining) to recommend that Alexis Nihon unitholders accept the Homburg offer and tender their Alexis Nihon Units to the Homburg offer. On such date, Alexis Nihon entered into a support agreement with Homburg in respect of the Homburg offer.

15. On the same date, the REIT and Homburg entered into the Purchase Agreement and agreed that, within 60 days of the successful completion of the Homburg offer for the Alexis Nihon Units, Homburg will cause Alexis Nihon and its wholly-owned entities to sell the Cominar Acquisition Properties to the REIT for \$592 million, including the assumption of debt related to those properties.

16. On February 20, 2007, the REIT provided Homburg with a deposit of \$17.1 million in connection with the acquisition of the Cominar Acquisition Properties.

17. On March 1, 2007, the REIT completed the acquisition of three industrial and mixed use properties with a total leasable area of 86,582 square feet. The properties are located at 115 Vaudreuil Street in Longueuil (Boucherville), Québec, 3600 Matte Boulevard in Brossard, Québec and 3650 Matte Boulevard in Brossard, Québec. The total consideration paid was \$6.1 million, paid in cash.

18. On March 6, 2007, the REIT completed the acquisition of a 839,653 square foot lot of land for future developments located on Curé-Labelle Boulevard in Laval, Québec, for a total consideration of \$5.2 million, payable as to approximately \$1.5 million cash and approximately \$3.7 million as a balance of sale.

19. On March 14, 2007, the REIT announced the appointment of Gérard Coulombe, Q.C. as Trustee. In order to allow Mr. Coulombe to join the board of Trustees of the REIT, Michel Berthelot has resigned as Trustee but remains Executive Vice President and Chief Financial Officer of the REIT.

20. On March 22, 2007, the REIT completed the acquisition of a 67,612 square foot commercial property located at 120 de l'Hôpital Boulevard in Gatineau, Québec, for a total consideration of approximately \$9.8 million, paid in cash. The offer to purchase this property had been assigned to the REIT by Alexis Nihon in the context of the Acquisition.

21. On March 23, 2007, the REIT completed the acquisition of a 104,375 office property located at 565-585, Charest Boulevard East in Quebec City, Québec, for a total consideration of approximately \$11 million, payable as to approximately \$4.9 million cash and approximately \$6.1 million by the assumption of one hypothec charging the property. The offer to purchase this property had been assigned to the REIT by Alexis Nihon in the context of the Acquisition.

22. On April 6, 2007, Homburg announced that 20,663,699 Alexis Nihon Units, representing approximately 70% of the then issued and outstanding Alexis Nihon Units had been tendered to the take-over offer made by Homburg Acquisition Inc., a wholly-owned subsidiary of Homburg. Together with the Alexis Nihon Units owned

by Homburg prior to the offer, Homburg and its affiliates then held 25,938,238 Alexis Nihon Units, representing approximately 87% of the then issued and outstanding Alexis Nihon Units. On such date, Homburg also announced that in accordance with the support agreement entered into by Homburg and Alexis Nihon on February 19, 2007, Homburg intends to cause Alexis Nihon to call a special meeting of unitholders of Alexis Nihon pursuant to which the unitholders of Alexis Nihon will exchange their Alexis Nihon Units for redeemable units of Alexis Nihon having a redemption price of \$18.60 in cash. Such meeting will be held on May 17, 2007.

23. On April 23, 2007, a wholly-owned subsidiary of the REIT entered into a loan agreement with a financial institution in respect of an \$82.3 million 10-year secured loan, at a 5.3% per year interest rate. The entire amount of the loan was disbursed by the financial institution on the same date. This facility is secured by first ranking hypothecs on certain of the REIT's real estate properties and on certain other assets of the REIT and contains covenants, events of default and other terms customary for credit facilities of this nature, including certain restrictions on the disposition of the REIT's properties charged thereunder, the further incurring of liens on such properties, assets and undertakings, and the incurring of additional indebtedness in respect thereof. These proceeds were used by the REIT to reduce indebtedness incurred under the General Acquisition Facilities.

### **Description of Properties**

The following is a detailed description of the properties referred to above, other than the Cominar Acquisition Properties, which are described below. See "The Acquisition — Description of Cominar Acquisition Properties". Summary leasing information is as at the date of each acquisition.

#### **19100-19180 Trans-Canadian Highway, Baie d'Urfé, Québec**

A 25,564 square foot industrial and mixed-use building situated on 137,650 square feet of land, built in 1987. The building is located within the industrial park of Baie d'Urfé, adjacent to local and regional transportation routes including Highways 13, 20 and 40. The building contains warehouse and office space. The warehouse space has an 18 foot clear ceiling height. The building is 75.3% leased to three tenants and has 82 parking spaces.

<b>Major Tenant</b>	<b>Leasable Area (Square Feet)</b>	<b>Expiration Date</b>	<b>Percentage of Leasable Area Occupied by Indicated Tenant</b>
Arrow Electronics Canada Ltd.	11,159	July 2008	43.7%

#### **115 Vaudreuil Street, Longueuil (Boucherville), Québec**

A 16,297 square foot industrial and mixed-use building situated on 35,714 square feet of land, built in 1987. The property is located in the industrial park of the borough of Boucherville, adjacent to Highways 132 and 20. The building contains warehouse and office space. The warehouse space has a 22 foot clear ceiling height. The building is 67.5% leased and has 30 parking spaces.

#### **3600 Matte Boulevard, Brossard, Québec**

A 27,074 square foot industrial and mixed-use building situated on 78,158 square feet of land, built in 1988. The building is located within the industrial park of Brossard, adjacent to local and regional transportation routes including Highway 132. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building is 95.8% leased to seven tenants and has 91 parking spaces.

#### **3650 Matte Boulevard, Brossard, Québec**

A 43,211 square foot industrial and mixed-use building situated on 121,842 square feet of land, built in 1987. The building is located within the industrial park of Brossard, adjacent to local and regional transportation routes including Highway 132. The building contains warehouse and office space. The warehouse space has a 20 foot clear ceiling height. The building is 95.0% leased to six tenants and has 123 parking spaces.

<b>Major Tenant</b>	<b>Leasable Area (Square Feet)</b>	<b>Expiration Date</b>	<b>Percentage of Leasable Area Occupied by Indicated Tenant</b>
Cedarome Canada Inc.	23,497	February 2011	54.4%

### **120 de l'Hôpital Boulevard, Gatineau (Hull), Québec**

A 67,612 square foot commercial building situated on 159,402 square feet of land, built in 1996. The building is well-located at the north-east intersection of Maloney and de l'Hôpital boulevards, in proximity of Highway 50. Maloney Boulevard is one of the main commercial arteries in Gatineau. The building is 100.0% leased to 11 tenants and has 307 parking spaces.

<b>Major Tenants</b>	<b>Leasable Area (Square Feet)</b>	<b>Expiration Date</b>	<b>Percentage of Leasable Area Occupied by Indicated Tenant</b>
Société Gatineau S.E.N.C. (Cineplex Odeon)	39,000	May 2016	57.7%

### **365-585 Charest Boulevard East, Quebec City, Québec**

A 104,375 square foot, Class A office building situated on 23,048 square feet of land. The building was completely renovated in 1999-2000. The building is located on the south-west corner of Charest Boulevard East and de la Chapelle Street in downtown Quebec City, and has easy access to Highway 40. The building is 98.7% leased to 12 tenants and has approximately 35 interior parking spaces.

<b>Tenant</b>	<b>Leasable Area (Square Feet)</b>	<b>Expiration Date</b>	<b>Percentage of Leasable Area Occupied by Indicated Tenant</b>
Asea Brown Boveri	61,524	June 2015 (with a termination right in June 2010)	58.9%

## **THE ACQUISITION**

### **Purchase Agreement**

On February 19, 2007, Homburg and the REIT entered into a letter agreement (the "Purchase Agreement") for the purchase and sale of the Cominar Acquisition Properties (the "Acquisition"), subject to Homburg or its affiliates acquiring 100% of the issued and outstanding Alexis Nihon Units by August 31, 2007 (the "Sale Condition").

*Purchase Price and Consideration:* Pursuant to the Purchase Agreement, Alexis Nihon and its wholly-owned entities are to sell, transfer, assign and convey to the REIT the Cominar Acquisition Properties, together with all leases, offers to lease and contracts related thereto and all equipment, machinery and moveables owned by Alexis Nihon and its wholly-owned entities and used principally in the maintenance, repair or operation of the Cominar Acquisition Properties, for an aggregate purchase price of \$592 million. The purchase price is to be paid by the assumption by the REIT of the outstanding principal balance under the terms of the existing mortgage and hypothecary financings in respect of the Cominar Acquisition Properties and by a cash payment for the remaining amount. The sum of \$17.1 million (the "Cominar Deposit") has been paid to Homburg by the REIT as a deposit for the purchase price. If the transactions contemplated in the Purchase Agreement are not completed solely as a result of the default of the REIT, the Cominar Deposit shall be paid to Homburg as liquidated damages.

*Rights of First Refusal:* Certain of the Cominar Acquisition Properties are subject to rights of first refusal or similar rights in favour of third parties. If such third parties exercise any such rights, the said Cominar Acquisition Properties shall not be sold to the REIT and the purchase price shall be reduced by an amount agreed to by the parties. See “Risk Factors and Investment Considerations — Risk Factors Related to the Acquisition”.

*Assumption of Financing:* The REIT has requested all necessary mortgage consents for the sale of the Cominar Acquisition Properties and the assumption of the existing financing on the Cominar Acquisition Properties from the applicable hypothecary creditors. See “Risk Factors and Investment Considerations — Risk Factors Related to the Acquisition”.

*Obligations Relating to Cominar Acquisition Properties:* Homburg agreed to cause Alexis Nihon, as soon as it is legally in a position to do so and until the closing of the asset purchase and sale transaction:

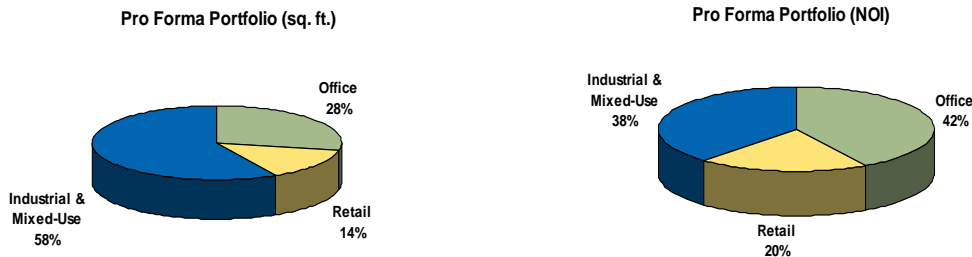
- (a) to maintain, repair (other than major or capital repairs), insure, operate and manage the Cominar Acquisition Properties in a manner consistent with past practice;
- (b) not to enter into, amend, modify or terminate, in any material manner, any material leases, contracts and other agreements in respect of the Cominar Acquisition Properties; and
- (c) to provide the REIT reasonable access during business hours to the Cominar Acquisition Properties and to information and documentation in respect thereof and to keep all such property information and documentation confidential for a period of 12 months after the closing date of the Acquisition Closing Date (as defined below).

*Additional Agreements:* Homburg and the REIT are to enter into a transitional services agreement to facilitate the transition of the employees of Alexis Nihon and of the operations of the Cominar Acquisition Properties to the REIT. Homburg and the REIT also agreed to enter into an agreement whereby they shall continue the employment of the various employees of Alexis Nihon following the Acquisition Closing Date on the basis that the employees engaged principally in the operation, management, leasing or development of industrial and/or office properties forming part of the Cominar Acquisition Properties shall continue to be employed by the REIT and the remainder of such employees shall continue to be employed by Alexis Nihon. These agreements remain to be negotiated and formalized.

*Closing and Closing Conditions:* The closing of the Acquisition shall take place on a date to be determined following the date that Homburg acquires 100% of the issued and outstanding Alexis Nihon Units (the “Acquisition Closing Date”). Homburg agreed that, following its acquisition of 66 $\frac{2}{3}$ % of the issued and outstanding Alexis Nihon Units (including the Alexis Nihon Units currently held directly or indirectly by Homburg), it shall use all commercially reasonable and diligent efforts to acquire the remainder of the Alexis Nihon Units. See “Recent Developments”.

### **Pro Forma Portfolio Composition**

Upon completion of the Acquisition, the REIT will own 199 properties composed of 35 office, 32 retail and 132 industrial and mixed-use properties. The REIT’s portfolio on a *pro forma* basis, giving effect to the Acquisition as of December 31, 2006, will continue to be well diversified in the office, retail, industrial and mixed-use segments:



## Description of Cominar Acquisition Properties

The following is a detailed description of the Cominar Acquisition Properties referred to above. Summary leasing information is as at December 31, 2006. **As the REIT does not currently own the Cominar Acquisition Properties, the following information has been prepared from publicly available information of Alexis Nihon, upon which the REIT and the Underwriters have relied entirely without any independent verification and there can be no assurances regarding the accuracy and completeness of this information.**

### Office Properties

#### **1080 Beaver Hall Hill, Montreal, Québec**

A 316,408 square foot office building situated on 17,131 square feet of land. The building was built in 1968. Following the acquisition by certain members of the Nihon/Massicotte Group of a 50% interest in the Property in 1999, the building was renovated in 2000, resulting in an upgrade from Class C to Class B. It has approximately 150 indoor parking spaces. The building is occupied by 56 tenancies and is 69.5% leased, including approximately 7,406 square feet of space subject to the AN Head Lease. Significant tenants include Hapag-Lloyd (Canada) Inc., and 9006-3546 Québec Inc. The property is subject to an emphyteutic lease expiring in 2047.

#### **4700 de la Savane, Montreal, Québec**

A 189,384 square foot Class B suburban office building situated on 260,310 square feet of land on de la Savane Street, which links to Jean-Talon Street and the Decarie Expressway. The property offers certain particular features, such as loading docks, which are not normally found in other office buildings in the area. The building was built in 1988 and, after having managed the property for a Canadian chartered bank for approximately 18 months, certain members of the Nihon/Massicotte Group purchased the property in 1997 and initiated a two-year, \$300,000 renovation program in 1998. The property has 344 outdoor and 58 indoor parking spaces and is 88.2% leased to 26 tenancies. Significant tenants include a Canadian chartered bank, Engenuity Technologies Inc. and Fujitsu Transaction Solutions Canada Inc. Both the building site and parking area are subject to emphyteutic leases that expire in 2046 and that may be renewed until 2066.

#### **455 Fénélon, Dorval (Montreal), Québec**

A 94,848 square foot Class A suburban office building situated on 140,853 square feet of land in close proximity to the Montreal-Trudeau Airport. The building was built in 1990 and acquired by certain members of the Nihon/Massicotte Group in 1998. It has 232 outdoor and 65 basement level indoor parking spaces. It is occupied by 18 tenancies and is 89.5% leased. Significant tenants include Société Immobilière du Québec, Adacel Inc., and Fleetminds Solutions Inc.

**9900 Cavendish, Saint-Laurent (Montreal), Québec**

An 82,977 square foot Class A suburban office building situated on 123,660 square feet of land located on Cavendish Boulevard just south of Côte-Vertu Boulevard. The four-storey building was built in 1987 by certain members of the Nihon/Massicotte Group and has 120 outdoor and 36 indoor parking spaces. It is occupied by 25 tenancies and is 96.0% leased. Significant tenants include CATO Research Canada Inc., Kronos Computerized Time Systems Inc. and Proctor & Gamble Inc.

**9999 Cavendish, Saint-Laurent (Montreal), Québec**

A 50,637 square foot Class A suburban office building situated on 129,356 square feet of land. The three-storey building was built by certain members of the Nihon/Massicotte Group in 1988 and has 144 outdoor and 35 indoor parking spaces. It is 92.7% leased to six tenancies, including Pitney Bowes of Canada, Intertape Polymer Inc. and Famic Technologies 2000 Inc.

**9960-9970 Côte-de-Liesse Road, Lachine (Montreal), Québec**

A 24,844 square foot Class B suburban office building situated on 107,046 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built by certain members of the Nihon/Massicotte Group in 1983 and has 82 outdoor parking spaces. It is 79.3% leased to seven tenancies, which include Fishery Products International and Ralston Purina Canada Inc.

**1,2,3,4 Place Laval, Laval, Québec**

A 546,957 square foot suburban Class B, four tower office complex built on a podium situated on 11.48 acres of land located at the intersection of St-Martin Boulevard and des Laurentides Boulevard. The towers have five or six storeys and were built at various times between 1965 and 1989. Overall, the buildings are 90.6% leased to 83 tenancies, including Société Immobilière du Québec, the City of Laval, SITQ National Inc. and two Canadian chartered banks.

**3080 Le Carrefour Boulevard, Laval, Québec**

A 87,643 square foot suburban Class A, eight-storey office building situated on 1.73 acres of land in close proximity to Le Carrefour Laval, a super regional tier-one shopping centre. The building is 87.6% leased to 16 tenancies and has 118 indoor parking spaces. Significant tenants include a Canadian chartered bank and HB Group Insurance Management Ltd.

**3090 Le Carrefour Boulevard, Laval, Québec**

A 72,910 square foot suburban Class A, seven-storey office building situated on 2.54 acres of land in close proximity to Le Carrefour Laval, a super regional tier one shopping centre. The building is 92.2% leased to 21 tenancies, including a Canadian chartered bank, London Life Insurance Co. and CIT Financial Services Ltd.

**3100 Le Carrefour Boulevard, Laval, Québec**

A 77,787 square foot suburban Class A, seven-storey office building situated on 1.51 acres of land in close proximity to Le Carrefour Laval, a super regional tier one shopping centre. The building is 93.7% leased to 16 tenancies and has 120 indoor parking spaces and 160 outdoor parking spaces. Significant tenants include a Canadian chartered bank, Les Services Investors Inc. and Sunlife Insurance Company of Canada.

**2525 Daniel-Johnson, Laval, Québec**

A 109,294 square foot suburban Class B, six-storey office building situated on 3.13 acres of land in close proximity to Le Carrefour Laval, a super regional tier-one shopping centre which was built in 1977. The building is

77.5% leased to 27 tenancies, including a Canadian chartered bank, Groupe Conseil Genivar Inc. and Industrielle-Alliance Insurance and Financial Services Inc.

**550 De la Cité Boulevard, Gatineau, Québec**

A 320,900 square foot Class A, 10-storey office building situated on 292,284 square feet of land located in the de la Cité/Maloney and Carrefour Boulevard sector of Gatineau. This building was built in 2003 by certain members of the Nihon/Massicotte Group. The building is 100% leased to the Minister of Public Works and Government Services and has 540 outdoor parking spaces.

**480 De la Cité Boulevard, Gatineau, Québec**

A 26,400 square foot Class A, two-storey office building situated on 64,000 square feet of land located in the de la Cité/Maloney and Carrefour Boulevard sector of Gatineau. This building was built in 2003 by certain members of the Nihon/Massicotte Group. The building is 100% leased to Brookfield Energy Marketing Inc., a subsidiary of Great Lakes Power Inc. and has 100 outdoor parking spaces. The property is currently being expanded by 18,000 square feet to accommodate the tenant.

**1111 Dr. Frederik-Philips, Saint-Laurent (Montreal), Québec**

A 102,713 square foot Class B office building built in 1990 situated on 150,186 square feet of land. The building is 93.2% leased to 12 tenancies including Makivik Corp., and Meloche Monnex Inc. and Hospira Healthcare Corporation.

**3300 Côte-Vertu Boulevard, Saint-Laurent (Montreal), Québec**

A 98,504 square foot Class B office building built in 1976 situated on 127,446 square feet of land. The building is 95.6% leased to 27 tenancies including Delta Airlines Inc, a Canadian chartered bank and Gamma Entertainment Inc.

**400 Cooper Street, Ottawa, Ontario**

A 173,936 square foot, nine storey office building featuring approximately 146,300 square feet of Class B office space and 26,700 square feet of ground floor retail/office spaces. The property is located on approximately 78,000 square feet of land. The building was built in 1974 and renovated in 1998. The building is 95.4% leased to 18 tenancies and has 326 parking spaces. Significant tenants include Minister of Public Works and Government Services and Centretown Community Health Center.

**Industrial Properties**

**3071-3075 Louis A. Amos and 1922-1996 Onésime-Gagnon, Lachine (Montreal), Québec**

A 164,262 square foot industrial building situated on 462,399 square feet of land which was built in 1987 by certain members of the Nihon/Massicotte Group. The building is 88.1% leased to six tenancies and has 365 outdoor parking spaces. Significant tenants include Gelcore Company, Les Distributions RVI Ltée and AVW Telav Inc.

**1615-1805 - 55th Avenue, Dorval (Montreal), Québec**

A 158,304 square foot industrial building situated on 434,373 square feet of land in close proximity to Montreal-Trudeau Airport which was built in 1990 by certain members of the Nihon/Massicotte Group. The building is occupied by 13 tenancies and has 252 outdoor parking spaces. The building is 95.2% leased. Significant tenants of the property include Ecosys Canada Inc., John L. Schultz Limited and OPS Warehousing and Distribution.

**3339-3403 Griffith, Saint-Laurent (Montreal), Québec**

A 118,114 square foot industrial building, which was built in 1987 by certain members of the Nihon/Massicotte Group, situated on 457,918 square feet of land near Cavendish Boulevard and the Trans-Canada Highway. The building is occupied by 17 tenancies and has 222 outdoor parking spaces. The building is 100% leased. Significant tenants include John L. Schultz Ltd., 4198638 Canada Inc., Presse Commerce Group and Henry Schein Ash Arcona.

**8100 Cavendish, Saint-Laurent (Montreal), Québec**

A 114,596 square foot industrial building situated on 262,913 square feet of land which was built in 1981 by certain members of the Nihon/Massicotte Group. The building has 21 outdoor parking spaces, as well as a sizeable shipping and trucking area. Dare Foods Ltd.'s lease, which was for 100% of the premises, expired on December 31, 2006. The building is currently vacant.

**1949 Onésime-Gagnon, Lachine (Montreal), Québec**

A 95,795 square foot industrial building situated on 244,192 square feet of land which was built in 1988 by certain members of the Nihon/Massicotte Group. The building is occupied by five tenancies and is 100% leased. The property has 181 outdoor parking spaces, as well as a sizeable shipping and trucking area. This Class A building is well situated near major arteries. Significant tenants include Richards Packaging Inc., Alcan Foil Products and Kintetsu World Express (Canada) Inc.

**2260 - 32nd Avenue and 3142-3190 Joseph-Dubreuil, Lachine (Montreal), Québec**

A 92,429 square foot industrial building situated on 216,244 square feet of land which was built in 1983 by certain members of the Nihon/Massicotte Group. The building has 136 outdoor parking spaces and is 100% leased to three tenancies, including approximately 26,394 square feet of space subject to the AN Head Lease. Significant tenants include Andritz Fiber Drying Ltd. and Rogers Wireless Inc.

**2102-2150 - 32nd Avenue, Lachine (Montreal), Québec**

A 77,400 square foot industrial building situated on 203,761 square feet of land which was built in 1984 by certain members of the Nihon/Massicotte Group. The building is 90.6% leased to 10 tenancies and has 109 outdoor parking spaces. Significant tenants include NSK-RHP Canada Inc., East West Plastic and Electric, and Standard Life Assurance Company.

**2024-2080 - 32nd Avenue, Lachine (Montreal), Québec**

A 68,320 square foot industrial building situated on 182,983 square feet of land which was built in 1984 by certain members of the Nihon/Massicotte Group. The building is 88.1% leased to six tenancies and has 99 outdoor parking spaces. Significant tenants include AVW Telav Inc., Harlan Sprague Dawle and Trium Mobilier de Bureau Inc.

**6320-6380 Côte-de-Liesse Road, Saint-Laurent (Montreal), Québec**

A 58,483 square foot industrial building situated on 253,203 square feet of land which was built in 1955 by certain members of the Nihon/Massicotte Group, renovated in 1981 and expanded twice in the 1990's by certain members of the Nihon/Massicotte Group. Over \$2.0 million was spent on such renovations and expansion. The building is 100% leased to eight tenancies and has 104 outdoor parking spaces. Significant tenants include Speedware Ltd., Distributions Maroline Inc. and Services Personnel Unique.



**2025 de la Métropole, Longueuil, Québec**

A 206,184 square foot industrial building situated on a 434,700 square feet of land, featuring approximately 117,300 square feet of industrial space at 25 feet clear height, 73,000 square feet industrial space at 16 feet clear height; and a 14,400 office component on two floors. This building was built in phases from 1977 to 1993. The building is 99.0% leased to Sico Inc. and Le Groupe BMR Inc. The Property has approximately 60 parking spaces outdoor in proximity to the office section of the property.

**1925-1975 Hymus, Dorval (Montreal), Québec**

A 106,166 square foot detached multi-tenant industrial building situated on 202,204 square feet of land fronting on Hymus Boulevard, adjacent to the Trans-Canada Highway and in close proximity to Montreal-Trudeau Airport. This building was built in 1988. The building is 89.1% leased to nine tenants and has 94 outdoor parking spaces. Significant tenants include PHN Enterprises Inc., EGL Eagle Global Logistics Inc. and Apple Express Courier Ltd.

**80-140 Lindsay, Dorval (Montreal), Québec**

A 44,377 square foot detached multi-tenant industrial building situated on 114,314 square feet of land fronting on Lindsay Street, adjacent to Highway 20 and de la Côte-de-Liesse Highway, in close proximity to Montreal-Trudeau Airport. This building was built in 1986. The building is 100% leased to eight tenants and has 80 outdoor parking spaces. Significant tenants include ICC International Compliance Center, Bio Lonreco Inc. and Kufner Textiles Inc.

**8411-8453 Dalton, Mount-Royal (Montreal), Québec**

A 31,520 square foot detached multi-tenant industrial building situated on 73,120 square feet of land fronting on Dalton Road, adjacent to the Trans-Canada Highway and in close proximity to Montreal-Trudeau Airport. This building was built in 1975. The building is 100% leased to five tenants including: Les Matrices à Découper LM Inc. and Tindex Sales & Mfg Inc. and has 30 outdoor parking spaces.

**8459-8497 Dalton, Mount-Royal (Montreal), Québec**

A 41,703 square foot detached multi-tenant industrial building situated on 80,255 square feet of land fronting on Dalton Road, adjacent to the Trans-Canada Highway and in close proximity to Montreal-Trudeau Airport. This building was built in 1975. The building is 71.4% leased to six tenants and has 30 outdoor parking spaces. Significant tenants include Techstar Industries, North American Euro Product Inc. and Journey Freight International.

**8545-8579 Dalton, Mount-Royal (Montreal), Québec**

A 38,423 square foot detached multi-tenant industrial building situated on 88,818 square feet of land fronting on Dalton Road, adjacent to the Trans-Canada Highway and in close proximity to Montreal-Trudeau Airport. This building was built in 1987. The building is 91.6% leased to seven tenants and has 52 outdoor parking spaces. Significant tenants include VWR Scientific of Canada Ltd., Schindler Elevators Corp. and Neopost Canada Ltd.

**8605-8639 Dalton, Mount-Royal (Montreal), Québec**

A 37,463 square foot detached multi-tenant industrial building situated on 87,714 square feet of land fronting on Dalton Road, adjacent to the Trans-Canada Highway and in close proximity to Montreal-Trudeau Airport. This building was built in 1986. The building is 48.7% leased to three tenants including BB Color Inc., Nutra-Pharma Laboratories and Startex Fabrics Inc. and has 69 outdoor parking spaces.

**7527-7583 Henri-Bourassa, Montreal, Québec**

A 138,915 square foot multi-tenant industrial building situated on 275,311 square feet of land, strategically located on Henri-Bourassa Boulevard. This building was built in 1975. The building is 73.4% leased to 13 tenants and has 147 outdoor parking spaces. Significant tenants include Les Productions Jeux, A.N.S. Auto Fiber Parts and Céramique Pavigres Inc.

**8552-8648 Pie IX, Montreal, Québec**

A 146,649 square foot multi-tenant industrial complex situated on 212,038 square feet of land located on the West side of Pie IX, near Robert Street, north of the Trans-Canada Highway in the heart of the East End Industrial Park. This building was built in 1988. The building is 89.4% leased to 17 tenants and has 178 outdoor parking spaces. Significant tenants include Disque Americ Inc., Memtronik Innovations Inc. and CPS Digital Inc.

**8740-8878 Pie IX, Montreal, Québec**

A 165,526 square foot multi-tenant industrial complex situated on 259,707 square feet of land, located on the West side of Pie IX, near Robert Street, north of the Trans-Canada Highway in the heart of the East End Industrial Park. This building was built in 1992. The building is 96.7% leased to 10 tenants and has 178 outdoor parking spaces. Significant tenants include Imprimerie Transcontinental Inc., Peerless Clothing Inc. and Groupe Mequaltech.

**7075 Place Robert-Joncas, Saint-Laurent (Montreal), Québec**

A 218,345 square foot multi-tenant industrial complex situated on 439,498 square feet of land. This building was built in 1975. The building is 79.9% leased to 24 tenancies and has 350 outdoor parking spaces. Significant tenants include Purolator Courrier Ltd., Coreco Inc. and Best Buy Canada Ltd.

**1225 Volta, Boucherville, Québec**

A 225,610 square foot industrial building featuring about 206,500 square foot of industrial space at 25 feet of clear height and a two-storey, 19,100 square feet Class B office space. It is located on approximately 483,100 square feet of land and is serviced by a rail siding. The building was built in phases between 1988 and 1991 and has 95 outdoor parking spaces. The building is 53.7% leased to five tenancies, which include Rona Inc. and Pirel Inc.

**2000 Halpern Street, Saint-Laurent (Montreal), Québec**

A 527,000 square foot industrial building situated on 19.42 acres of land, which was built in 1977. The building is 100% leased to LDC Logistic Development Corp.

**2105 23rd Avenue, Lachine (Montreal), Québec**

A 318,960 square foot industrial building situated on 19.04 acres of land, which was built in 1964. The building is 100% leased to The Hudson's Bay Company.

**1111 46th Avenue, Lachine (Montreal), Québec**

A 107,644 square foot industrial building situated on 7.92 acres of land, which was built in 1973. The building is 100% leased to Palmar Inc.

**5055 Levy Street, Saint-Laurent (Montreal), Québec**

A 60,351 square foot multi-tenant industrial building, built in 1989/1990, of which 34,651 square feet is industrial space, having a ceiling height of approximately 30 feet, and 25,700 square feet is office space. The

building is in close proximity to Montreal-Trudeau Airport. The building is 100% leased to three tenants. Significant tenants include Ti-Titanium and Kantech.

**2400 Trans-Canada Highway, Pointe-Claire (Montreal), Québec**

A 292,900 square foot multi-tenant industrial building, situated on 894,300 square feet of land located on the southern service road of the Trans-Canada Highway in the heart of the West Island industrial business park. The building was built in 1969/1976/1995. The building is 66.6% leased to 4 tenants. Significant tenants include Avon Canada Inc. and Roberts Fire Protection.

The property currently has 24 foot clear ceiling height on 112,600 square feet and 16 to 18 feet clear ceiling heights on the balance of the gross leasable area. The REIT intends to increase the density of the site from the current 33% to approximately 45 to 50% by adding multi-tenant industrial spaces as well as redeveloping the portion of the property having lower ceiling heights.

**243 Hymus Boulevard, Pointe-Claire (Montreal), Québec**

A 40,000 square foot industrial building which was built in 1969. The building is 100% leased to Harwell Packaging Inc.

**2555 Pitfield Road, Saint-Laurent (Montreal), Québec**

A 99,900 square foot industrial building built in 2003, of which 85,200 square feet is warehouse space with clear ceiling height of 22 feet, and 14,700 square feet is office/showroom space. The property site area is approximately 200,100 square feet. The building is 100% leased to Calego International Inc.

Co-Ownership Properties

On May 12, 2003, Alexis Nihon purchased the interest of certain members of the Nihon/Massicotte Group in the following seven properties, owned with an arm’s length third-party co-owner (the “Co-Owner”). The Co-Ownership Properties are subject to rights of first refusal. See “The Acquisition” and “Risk Factors and Investment Considerations – “Risk Factors Related to the Acquisition”. The “Co-Ownership Properties” consist of the following properties in which Alexis Nihon has the co-ownership interest set forth below, and the Co-Ownership Properties are comprised within the Cominar Acquisition Properties:

<b>Property</b>	<b>Percentage Owned by Alexis Nihon</b>
1875 - 55 <sup>th</sup> Avenue and 22-62 Lindsay, Dorval (Montreal), Québec.....	50.0%
1520 - 1660 - 55 <sup>th</sup> Avenue and 5430 Fairway, Lachine (Montreal), Québec.....	50.0%
1710 - 1850 - 55 <sup>th</sup> Avenue and 5435 François-Cusson, Lachine (Montreal), Québec.....	50.0%
1200 - 55 <sup>th</sup> Avenue, Lachine (Montreal), Québec.....	50.0%
731 - 749 Meloche and 11450 Côte-de-Liesse Road, Dorval (Montreal), Québec.....	25.0%
679 - 701 Meloche and 135-137 Lindsay, Dorval (Montreal), Québec...	25.0%
703 - 729 Meloche, Dorval (Montreal), Québec.....	25.0%

The Co-Ownership Properties are described below. Except as otherwise specified, all occupancy rates and other figures are as at December 31, 2006.

**731-749 Meloche and 11450 Côte-de-Liesse Road, Dorval (Montreal), Québec**

A 35,567 square foot industrial building situated on 92,282 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built in 1979 by certain members of the Nihon/Massicotte Group with a joint venture partner. The building is 100% leased to nine tenancies and has 20 outdoor parking spaces. Significant tenants include Gemmar Computers International Inc., Kodiak Fret Int. and Abrasicorp & Equip. Ltd.

**703-729 Meloche, Dorval (Montreal), Québec**

A 31,706 square feet industrial building situated on 75,567 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built by certain members of the Nihon/Massicotte Group in 1980 with a joint venture partner. The building is 99.9% leased to 13 tenancies, including Heidelberg Canada Graphic, Société en Commandite Tafisa Canada and Chic-Tex Inc.

**679-701 Meloche and 135-137 Lindsay, Dorval (Montreal), Québec**

A 34,759 square foot industrial building situated on 85,500 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built by certain members of the Nihon/Massicotte Group in 1981 with a joint venture partner. The building is 73.6% leased to nine tenancies and has 20 outdoor parking spaces. Significant tenants include Fabrication D.E.C. Inc., 2322-7820 Québec Inc. and Gabriel Consultant Inc.

**1710-1850 - 55th Avenue and 5435 François Cusson, Lachine (Montreal), Québec**

A 79,023 square foot industrial building situated on 222,781 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built in 1986 by certain members of the Nihon/Massicotte Group. The building is 99.9% leased to eight tenancies and has 154 outdoor parking spaces. Significant tenants include LH MFG. Inc., Auto Journal Inc. and Canaflex Inc.

**1520-1660 - 55th Avenue and 5430 Fairway, Lachine (Montreal), Québec**

A 79,023 square foot industrial building situated on 228,707 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built in 1986 by certain members of the Nihon/Massicotte Group. The building is 100% leased to nine tenancies and has 154 outdoor parking spaces. Significant tenants include MBS Bearing Services Inc., Elkon Inc. and Joslyn Canada Inc.

**1875-55th Avenue and 22-62 Lindsay, Dorval (Montreal), Québec**

A 81,878 square foot industrial building situated on 216,434 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built in 1988 by certain members of the Nihon/Massicotte Group. The building is 100% leased to nine tenancies and has 171 outdoor parking spaces. Significant tenants include Whitesell Canada Corp., Amscan Distributors (Canada) Ltd. and Omnimedia Corporation Limited.

**1200 - 55th Avenue, Lachine (Montreal), Québec**

A 68,461 square foot industrial building situated on 257,986 square feet of land in close proximity to Montreal-Trudeau Airport. The building was built in 1987 by certain members of the Nihon/Massicotte Group. The building is 100% leased to A.R. Medicom Inc. and has 57 outdoor parking spaces. The building has expansion potential for approximately 35,000 additional square feet.

**SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

The following selected historical financial information of the REIT has been derived from the audited consolidated financial statements of the REIT as at and for the year ended December 31, 2006 and from the

unaudited *pro forma* consolidated financial statements of the REIT as at December 31, 2006, included in this short form prospectus or incorporated herein by reference.

**BALANCE SHEET**  
**As at December 31, 2006**

	<b>Cominar REIT</b>	<b>Pro Forma Consolidated</b>
	(in thousands of dollars)	
		(unaudited)
<b>Assets</b>		
Income properties .....	711,441	1,257,730
Intangible assets .....	–	67,275
Properties under development .....	16,628	20,082
Land held for future development .....	7,604	7,604
Deferred expenses and other assets .....	31,819	34,524
Other assets .....	22,725	22,725
	790,217	1,409,940
<b>Liabilities</b>		
Mortgages payable .....	270,649	528,533
Convertible debentures .....	43,239	111,664
Bank indebtedness .....	73,616	191,256
Intangible liabilities .....	–	10,018
Other liabilities .....	25,705	25,705
	413,209	867,176
Unitholder's equity .....	377,008	542,764
	790,217	1,409,940

**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2006**

	<b>Cominar REIT</b>	<b>Pro Forma Consolidated</b>
	(In thousands of dollars)	
		(unaudited)
Operating revenues .....	131,686	205,690
Operating expenses .....	51,415	86,421
Net operating income before the under noted .....	80,271	119,269
Interest on borrowings .....	22,021	47,158
Depreciation of income properties and amortization of intangible assets .....	16,188	37,470
Amortization of deferred expenses and other assets .....	6,867	7,213
Trust administrative expenses .....	2,130	2,130
Net income .....	34,075	26,308

**USE OF PROCEEDS**

The estimated total net proceeds to be received by the REIT from this offering will amount to approximately \$231.5 million (approximately \$266.1 million if the Over-Allotment Options are exercised in full), after deducting the Underwriters' fee in respect of the Securities issued and sold by the REIT and the estimated expenses of this offering. The net proceeds from the sale of the Subscription Receipts (following the release of the Escrowed Funds by the Subscription Receipt Agent) will be entirely used to finance a portion of the Acquisition.

The net proceeds from the sale of the Debentures will be used as to approximately \$51 million to repay amounts outstanding under the General Acquisition Facilities, as to approximately \$16 million to repay certain hypothecary loans on income producing properties which will mature in the near future and the balance will be used for general purposes. Indebtedness incurred under the General Acquisition Facilities and hypothecary loans was used by the REIT to acquire real estate properties and to refinance indebtedness of the REIT.

The aggregate cost to the REIT to acquire the Cominar Acquisition Properties is approximately \$592 million, plus estimated acquisition costs of \$15 million. The REIT will finance the remainder of the acquisition cost through funds drawn down under the General Acquisition Facilities and the Bridge Credit Facility (to the extent required) and the assumption of the outstanding principal balance under the terms of the existing mortgage and hypothecary financings in respect of the Cominar Acquisition Properties.

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 April 26, 2007 is estimated by management of the REIT to increase from approximately 47.7% to 56.8%, including the Debentures and the Series A 6.30% Convertible Unsecured Subordinated Debentures of the REIT issued under the Original Trust Indenture. 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 du Marais, Quebec City, 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 April 26, 2007, there were 37,371,543 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, CFA 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. These Trustees currently are Michel Dallaire, Alain Dallaire, Michel Paquet and Pierre Gingras.

## **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.

## **BRIDGE CREDIT FACILITY**

In addition to its General Acquisition Facility, the REIT has entered into a commitment letter (the "Financing Commitment") with a Canadian chartered bank (the "Lender"), of which Lender NBF is a subsidiary, for an up to \$200 million unsecured non-revolving credit facility (the "Bridge Credit Facility") to fund a portion of the cash consideration, related costs required in connection with the Acquisition and if necessary, the repayment of mortgages that have to be paid off as a result of the Acquisition. However, the REIT currently does not intend to draw down on the Bridge Credit Facility at the closing of the Acquisition, unless it is required to do so.

The obligation of the Lender to make advances under the Bridge Credit Facility is subject to usual conditions precedent for credit facilities of this nature. Amounts outstanding under the Bridge Credit Facility will bear interest at varying rates depending upon, among other things, the facility and timing. Amounts may be advanced, at the election of the borrower, as either: (i) prime rate advances at interest rates ranging from prime rate plus 2.5% to 5.5%; or (ii) bankers' acceptances utilizations at varying rates equal to the applicable bankers' acceptances rate plus 3.5% to 6.5%. Principal amounts outstanding under the Bridge Credit Facility may be repaid or prepaid at any time without penalty or bonus, subject to normal breakage costs.

The Bridge Credit Facility will be unsecured and will contain covenants, events of default and other terms customary for credit facilities of this nature, including certain restrictions on the disposition of properties of the REIT, the incurring of liens on its property, assets and undertakings and on the incurring of additional indebtedness.

The Bridge Credit Facility will contain conditions precedent to the financing covenants which are typical in real estate financings, such as the provision of customary legal opinions and the obtaining of all required consents. There is no due diligence condition precedent.

## **CHANGES IN UNITS OUTSTANDING AND LOAN CAPITAL**

As at December 31, 2006, the year end of the most recently completed fiscal year of the REIT, there were 36,600,361 Units outstanding. As at April 26, 2007, there were 37,371,543 Units outstanding. The only changes in the number of outstanding Units since December 31, 2006 resulted from: (i) the issuance of 17,379 Units pursuant to the DRIP; (ii) the issuance of 229,100 Units in connection with the exercise of options granted under the Unit Option Plan; and (iii) the issuance of 524,703 Units pursuant to the conversion of Series A 6.30% Convertible Unsecured Subordinated Debentures of the REIT.

As at December 31, 2006, the indebtedness of the REIT was approximately \$387.5 million (excluding accounts payable and accrued liabilities and distributions payable to Unitholders). Since December 31, 2006, 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 General Acquisition Facilities, and the repayment of indebtedness of the REIT. Additional information regarding material indebtedness of the REIT is provided in the 2006 Financial Statements and the 2006 MD&A.

After giving effect to the issuance of the Debentures and the Acquisition, the outstanding indebtedness of the REIT (excluding accounts payable and accrued liabilities, and distributions payable to Unitholders) will be approximately \$831.2 million. See “Recent Developments”, “The Acquisition”, “Use of Proceeds” and “Plan of Distribution”.

The debt and equity components of the Debentures will be presented separately for accounting purposes. The debt and equity components were valued using the residual valuation of equity component method, calculated using a 6.1% interest rate. Accordingly, \$1.6 million of the proceeds received from the issuance of the Debentures will be allocated to Unitholders’ equity.

## **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 approximately 87% 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 2006, the REIT made monthly distributions of \$0.10 per Unit for January and February, distributions of \$0.102 per Unit for each month from March to November, and declared a distribution of \$0.112 for December. For the year 2007, the REIT made monthly distributions of \$0.102 per Unit for each of January, February and March and declared a monthly distribution of \$0.102 per Unit for April.

### **Tax Deferral on 2007 Distributions**

Management estimates that, after giving effect to the Acquisition, approximately 48% of the distributions to be made by the REIT to Unitholders in 2007 will be tax deferred by reason of the REIT’s ability to claim capital cost allowance and certain other deductions.

## **DESCRIPTION OF THE SUBSCRIPTION RECEIPTS**

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement.

The Subscription Receipts will be issued at the closing of this offering pursuant to the Subscription Receipt Agreement. The Subscription Receipt Proceeds less the Subscription Receipts Initial Underwriters’ Fee Payment will be delivered to and held by the Subscription Receipt Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada or other approved investments pending the closing of the Acquisition. Provided that the Acquisition Closing Time occurs on or before the Deadline, the Escrowed Funds will be released to the REIT and the Underlying Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration, one Unit for each Subscription Receipt held. The Escrowed Funds may be subject to a special release to the REIT or, at its direction, under other escrow conditions, in order to facilitate the actual closing of the Acquisition.

Forthwith upon the closing of the Acquisition, the REIT will execute and deliver to the Subscription Receipt Agent, NBF (on its own behalf and for and on behalf of the Underwriters) and the Transfer Agent a notice thereof, and will issue and deliver the Underlying Units to the Subscription Receipt Agent. Contemporaneously with the delivery of such notice, the REIT will issue a press release specifying that the closing of the Acquisition has occurred and that the Underlying Units have been issued.

If the Acquisition Closing Time does not occur on or before the Deadline, if the REIT delivers to NBF (on its own behalf and for and on behalf of the Underwriters) and the Subscription Receipt Agent, a notice executed by the REIT that the Purchase Agreement has been terminated or that the REIT will not be proceeding with the Acquisition, or if the REIT formally announces to the public by way of a press release that it does not intend to proceed with the Acquisition (in any case, the “Termination Time”), holders of Subscription Receipts shall be entitled to receive an amount equal to the full Subscription Price and their *pro rata* entitlements to the Earned Interest. Since the Subscription Receipts Initial Underwriters’ Fee Payment is paid to the Underwriters from the aggregate Subscription Price at the closing of this offering, the REIT will be responsible for making up the difference to holders of Subscription Receipts at the Termination Time in respect of the Subscription Receipts Initial Underwriters’ Fee Payment and deemed Earned Interest thereon. The obligation to make the payment of the amounts specified above shall be satisfied by mailing payment by cheque payable to the holders of Subscription Receipts at such holder’s registered address or by making a wire transfer for the account of such holder through CDS. Upon the mailing or delivery of a cheque or the making of any wire transfer as provided above (and provided such cheque has been honoured for payment, if presented for payment within six months of the date thereof, as the case may be) all rights evidenced by the Subscription Receipts relating thereto shall be satisfied and such Subscription Receipts shall be void and of no value or effect.

If the Acquisition Closing Time occurs on or before the Deadline and holders of Subscription Receipts become entitled to receive Units pursuant to the Subscription Receipt Agreement, such holders will also be entitled to receive, without duplication, no earlier than the third Subscription Receipt Business Day following the Acquisition Closing Date, an amount, if any, representing the Subscription Receipt Adjustment Payment, less applicable withholdings taxes, if any, for each Subscription Receipt so held, provided that to the extent that the Subscription Receipt Adjustment Payment represents amounts in respect of cash distributions on the Underlying Units for which record dates have occurred (during the period from and including the date of the closing of this offering to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement) and have not yet been paid, such amounts shall not be payable to holders of Subscription Receipts, unless the REIT otherwise elects, until the date the such related cash distributions are paid to Unitholders. In addition, in such event, Earned Interest shall be for the benefit of the REIT.

**Holders of Subscription Receipts are not Unitholders. Holders of Subscription Receipts are entitled only to receive Underlying Units on surrender of their Subscription Receipts to the Subscription Receipt Agent or to a return of the Subscription Price for the Subscription Receipts together with any payments in lieu of interest or distributions, in each case as applicable, as described above.**

The Subscription Receipts will be issued in “book-entry only” form and must be purchased or transferred through a Participant. On the closing date of this offering, a certificate representing the Subscription Receipts will be issued in registered form to CDS or its nominee, CDS & Co., and will be deposited with CDS pursuant to the book-entry only system.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Subscription Receipts (a “Subscription Receipt Beneficial Owner”), will not be entitled to receive a certificate for Subscription Receipts, or, unless requested, for the Underlying Units issuable pursuant to the Subscription Receipts, other than those issued in the United States. Purchasers of Subscription Receipts will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Subscription Receipts will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the Subscription Receipts are purchased in accordance with the practices and procedures of that registered dealer. In

addition, registration of interests in and transfers of the Subscription Receipts will be made only through the depository service of CDS.

As indirect holders of Subscription Receipts, investors should be aware that they (subject to the situations described below): (i) may not have Subscription Receipts registered in their name; (ii) may not have physical certificates representing their interest in the Subscription Receipts; (iii) may not be able to sell the Subscription Receipts to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to hypothecate or pledge Subscription Receipts as security.

The Subscription Receipts will be issued to beneficial owners thereof in fully registered and certificate form (the "Subscription Receipt Certificates") only if: (i) the REIT, at its option, decides to terminate the book-entry only system through CDS; (ii) the REIT is required to do so by applicable law; (iii) the book-entry only system ceases to exist; or (iv) the REIT or CDS advises the Subscription Receipt Agent that CDS is no longer able or willing to properly discharge its responsibilities as depository with respect to the Subscription Receipts and the REIT (and/or the Subscription Receipt Agent) is unable to locate a qualified successor.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Subscription Receipt Agent must notify CDS, for and on behalf of Participants and Subscription Receipt Beneficial Owners, of the availability through CDS of Subscription Receipt Certificates. Upon surrender by CDS of the global certificates representing the Subscription Receipts and receipt of instructions from CDS for the new registrations, the Subscription Receipt Agent will deliver the Subscription Receipts in the form of Subscription Receipt Certificates and thereafter the REIT will recognize the holders of such Subscription Receipt Certificates as Subscription Receipt holders under the Subscription Receipt Agreement.

Neither the REIT nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Subscription Receipts held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Subscription Receipts; or (iii) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Subscription Receipt Beneficial Owners must look solely to Participants for any payments relating to the Subscription Receipts paid by or on behalf of the REIT to CDS.

## **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 a supplemental indenture to be dated the date of the closing of this offering (anticipated to be May 8, 2007) (the "First Supplemental Indenture") to the trust indenture dated as of September 17, 2004 (the "Original Trust Indenture" and together with the First Supplemental Indenture, collectively, the "Indenture") between the REIT and Computershare Trust Company of Canada (the "Debenture Trustee"), as trustee. 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 \$70,000,000 (\$80,500,000 if the Debenture Over-Allotment Option is exercised in full). 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 5.70% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing on June 30, 2007. The first interest payment will include interest accrued from the date of the closing of this offering to June 30, 2007.

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 “Description of the Debentures — 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 and the Series A 6.30% convertible unsecured subordinated debentures of the REIT issued pursuant to the Original Trust Indenture), 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 have been or 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 30, 2014 and the last business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$27.50 per Unit (the "Conversion Price"), being a conversion rate of approximately 36.36 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 2,545,455 additional fully paid, non-assessable and freely tradeable Units (2,927,273 Units, if the Debenture Over-Allotment Option is exercised in full), 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, 2010, 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, 2010, and prior to June 30, 2012, 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, 2012, 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 66⅔% 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 66⅔% 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 therefore.

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 66⅔% 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 66⅔% 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 66⅔% 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 66⅔% 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 one or more 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 and interest coverage ratios have been calculated for the year ended December 31, 2006 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 Subscription Receipts and the Debentures and the completion of the Acquisition.

	<b>Year ended December 31, 2006</b>
	(in thousands, except for ratios)
<i>Pro forma</i> interest expense .....	\$47,158
<i>Pro forma</i> Earnings before interest expense <sup>(1)</sup> .....	\$73,466
<i>Pro forma</i> Earnings coverage ratio <sup>(2)</sup> .....	1.56 times
<i>Pro forma</i> EBITDA <sup>(3) (4)</sup> .....	\$117,139
<i>Pro forma</i> Interest coverage ratio <sup>(5)</sup> .....	2.48 times

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

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

- (3) EBITDA is not defined by GAAP and may differ from entity to entity.
- (4) In the first quarter of 2006, the REIT incurred a \$554,000 non-recurring expense in connection with a proposed transaction with Alexis Nihon, which did not materialize.
- (5) The interest coverage ratio is equal to EBITDA divided by interest expense.

### **PLAN OF DISTRIBUTION**

Under the Underwriting Agreement, the REIT has agreed to sell and the Underwriters have agreed to purchase on or about May 8, 2007, or on such later date as the REIT and the Underwriters may agree, but in any event not later than May 31, 2007, 7,113,000 Subscription Receipts and an aggregate of \$70,000,000 principal amount of Debentures, for total net proceeds to the REIT of \$231,975,671. 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 Subscription Receipts or the Debentures if any of the Subscription Receipts or the Debentures are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Subscription Receipts and the Debentures are joint (and not solidary or joint and several). The terms of this offering and the prices of the Subscription Receipts and the Debentures have 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 \$0.956 per Subscription Receipt and \$37.50 per \$1,000 principal amount of Debentures, for an aggregate fee payable by the REIT of \$8,025,028, subject to the following paragraph, in consideration for their services in connection with this offering. The Underwriters' fee in respect of the Subscription Receipts is payable as to 50% upon closing of this offering and 50% upon closing of the Acquisition from the Escrowed Funds under the Subscription Receipt Agreement, in accordance with the terms and conditions thereof. If the Acquisition is not completed and Escrowed Funds are refunded to the purchasers of Subscription Receipts, the Underwriters' fee in respect of the Subscription Receipts shall consist solely of such 50% amount payable at the closing of this offering. The Underwriters' fee in respect of the Debentures is payable on closing of this offering.

The Dallaire Group has confirmed its intention to purchase 1,464,435 of the Subscription Receipts offered hereby representing a total investment of approximately \$35 million. No fee is payable to the Underwriters for Subscription Receipts purchased by the Dallaire Group.

The REIT has granted to the Underwriters an option (the "Subscription Receipt Over-Allotment Option") to purchase up to an additional 1,066,950 Subscription Receipts at a price of \$23.90 per Subscription Receipt on the same terms and conditions as this offering of Subscription Receipts, exercisable in whole or in part from time to time, not later than the earlier of: (i) the 30<sup>th</sup> day following the closing of this offering and (ii) the Termination Time for market stabilization purposes and to cover over-allotments, if any. If the Subscription Receipt Over-Allotment Option is exercised in whole or in part following the Acquisition Closing Time, an equal number of Units will be issued in lieu of Subscription Receipts. The REIT has also granted to the Underwriters an option (the "Debenture Over-Allotment Option" and together with the Subscription Receipt Over-Allotment Option, the "Over-Allotment Options") to purchase up to an additional \$10,500,000 aggregate principal amount of Debentures on the same terms and conditions as this offering of Debentures, exercisable in whole or in part from time to time, not later than the 30<sup>th</sup> day following the closing of this offering for market stabilization purposes and to cover over-allotments, if any. This short form prospectus qualifies the distribution of the Subscription Receipts and Debentures issuable on the exercise of the Over-Allotment Options and their subsequent transfer, as well as the Units issuable in lieu of Subscription Receipts if the Subscription Receipt Over-Allotment Option is exercised in whole or in part following the Acquisition Closing Time.

The TSX has conditionally approved the listing of the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and upon conversion of the Debentures, subject to compliance with all the requirements of the TSX on or before July 26, 2007.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution, bid for or purchase Subscription

Receipts or 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 Subscription Receipts or 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 Securities offered by this short form prospectus have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “1933 Act”), 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, except in limited circumstances. The Underwriters have agreed that they will not offer or sell the Securities within the United States, its territories or possessions or other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. Person (as such term is defined under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Securities, or any Units issued pursuant to the Subscription Receipts or conversion of the Debentures, within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in compliance with Rule 144A.

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 NBF, RBC Dominion Securities Inc., CIBC World Markets Inc. and Desjardins Securities Inc. is a subsidiary of financial institutions which are lenders to the REIT. Consequently, the REIT may be considered to be a “connected issuer” of those Underwriters under applicable securities legislation. As at April 26, 2007, the actual indebtedness of the REIT to such financial institutions amounted to approximately \$110.6 million in the aggregate; namely approximately \$6.8 million of hypothecary loans owed to the financial institution of which NBF is a subsidiary, approximately \$16.8 million of hypothecary loans owed to the financial institution of which RBC Dominion Securities Inc. is a subsidiary, approximately \$7.7 million of hypothecary loans owed to the financial institution of which CIBC World Markets Inc. is a subsidiary, approximately \$59.4 million of hypothecary loans owed to the financial institution of which Desjardins Securities Inc. is the subsidiary and approximately \$19.9 million outstanding under the General Acquisition Facilities, in respect of which the lenders to the REIT are the financial institutions of which NBF (as to approximately \$5.9 million) and Desjardins Securities Inc. (as to approximately \$14 million) are subsidiaries. Approximately \$51 million under the General Acquisition Facilities will be repaid with a portion of the proceeds of the offering of the Debentures, after the REIT has repaid certain hypothecary loans between the date hereof and the closing of this offering using the General Acquisition Facilities. After giving effect to this offering, the use of proceeds therefrom and the Acquisition, the indebtedness of the REIT, on a *pro forma* basis, to such financial institutions will amount to approximately \$168 million in the aggregate; namely approximately \$6.8 million of hypothecary loans owed to the financial institution of which NBF is a subsidiary, approximately \$16.8 million of hypothecary loans owed to the financial institution of which RBC Dominion Securities Inc. is a subsidiary, approximately \$7.7 million of hypothecary loans owed to the financial institution of which CIBC World Markets Inc. is a subsidiary, approximately \$59.4 million of hypothecary loans owed to the financial institution of which Desjardins Securities Inc. is the subsidiary and approximately \$77.3 million outstanding under the General Acquisition Facilities, in respect of which the lenders to the REIT are the financial institutions of which NBF (as to approximately \$17.3 million) and Desjardins Securities Inc. (as to approximately \$60 million) are subsidiaries. The REIT is in compliance with the terms of the agreements governing such indebtedness, in all material respects. The REIT is also currently in discussions with a financial institution of which RBC Dominion Securities Inc. is a subsidiary in respect of a potential \$60 million secured line of credit. 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 BMO Nesbitt Burns Inc., Scotia Capital Inc., Canaccord Capital Corporation, Genuity Capital Markets G.P. and Raymond James Ltd. 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, L.L.P., 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:

- (a) the Debentures will be qualified investments for Deferred Income Plans (other than for a trust governed by a deferred profit sharing plan to which contributions are made by the REIT, or by a corporation with which the REIT does not deal at arm’s length within the meaning of the Tax Act); and
- (b) the Subscription Receipts will be qualified investments for Deferred Income Plans (but only for plans whereby the REIT deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under the governing plan of the plan trust).

Units of the REIT acquired upon closing of the Acquisition will be, provided the REIT qualifies as a “mutual fund trust” under the Tax Act at that time, qualified investments under the Tax Act and the regulations thereunder for Deferred Income Plans.

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 CRA which would have an impact on the foregoing opinions.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT, and Desjardins Ducharme, L.L.P., 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 Subscription Receipts or Debentures by a holder who acquires Subscription Receipts or 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 Subscription Receipts or Debentures and any Units acquired under the terms of the Subscription Receipts or 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 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 CRA, 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 CRA 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 and the Indenture.

**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 Subscription Receipts**

No gain or loss will be realized by a holder on the exchange of a Subscription Receipt for Units. This opinion is based upon the interpretation of counsel that a Subscription Receipt is an agreement to acquire Units on the satisfaction of certain conditions. This position has not, to the knowledge of counsel, been the subject of a judicial determination in Canada and counsel have not applied for advance income tax rulings from the CRA in respect of this offering. The cost of any Units acquired must be averaged with the adjusted cost base of all other Units held by the holder for the purpose of calculating the adjusted cost base of such Units to the holder.

In circumstances where closing of the Acquisition does not occur and a holder of a Subscription Receipt is entitled to receive an amount equal to the full Subscription Price and its *pro rata* entitlements to the Earned Interest, as more amply described under "Description of the Subscription Receipts", the interest paid or payable from the Escrowed Funds to a holder of a Subscription Receipt (depending upon the method regularly followed by the holder in computing the holder's income) in respect of the period from the date of the closing of this offering to the date of return must be included in the income of the holder.

In circumstances where closing of the Acquisition occurs and a holder of a Subscription Receipt becomes entitled to receive an amount, if any, representing the Subscription Receipt Adjustment Payment less applicable withholding taxes, if any, for each Subscription Receipt so held, as more amply described under "Description of the Subscription Receipts", counsel is of the view that the Subscription Receipt Adjustment Payment so received must be included in the income of the holder.

### **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<sup>2</sup>/<sub>3</sub>% 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 so acquired at the time of the exchange and the amount of any cash received in lieu of fractional units. The Holder of Debentures will realize a capital gain or capital loss computed as described below under “Dispositions of Debentures”. The cost to the Holder of any Units must be averaged with the adjusted cost base of other Units 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 6<sup>2</sup>/<sub>3</sub>% 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, or deemed to be 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. A Holder of Units which is a Canadian-controlled private corporation (as defined in the Tax Act) may also be liable to pay an additional refundable tax of 6% on certain investment income, including taxable capital gains. Holders of Units should consult their own tax advisors for advice with respect to the potential application of these provisions.

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.

Certain taxable dividends received by individuals from a corporation resident in Canada will be eligible for an enhanced dividend tax credit to the extent certain conditions are met and designations are made, such as the dividend being sourced out of income that is subject to tax at the general corporate income tax rate. This could apply to distributions made by the REIT that have as their sources eligible taxable dividends received from a corporation

resident in Canada, to the extent the REIT makes the appropriate designation to have such eligible taxable dividend deemed received by the Holder of Units and provided that the corporate dividend payer makes the required designation to treat such taxable dividend as an eligible dividend.

The above amounts (including eligible dividends) will also generally be taken into account in determining the liability, if any, of a Holder of Units that is an individual (or certain trusts) for alternative minimum tax under the Tax Act.

#### 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.

#### Capital Tax

A Holder of Units that is a corporation will not be entitled to include any amount in respect of the Units 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.

### **Status of the REIT**

#### Qualification as a Mutual Fund Trust

The REIT 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 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.

#### Proposed Tax Rules for Income Trusts

On October 31, 2006, the Minister of Finance (Canada) (the “Minister”) announced proposals which deal with the taxation regime applicable to specified investment flow-through trusts or partnerships (a “SIFT”). In addition, on December 15, 2006, the Minister released growth guidelines (the “Growth Guidelines”), which addressed the circumstances in which a SIFT which was publicly traded on October 31, 2006, could become taxable under the Proposals in a taxation year before 2011. Such circumstance is generally where the SIFT has exceeded “normal growth” as circumscribed by the Growth Guidelines. Bill C-52, which implements these proposals, received first reading in the House of Commons on March 29, 2007 (collectively, the “SIFT Proposals”). There can be no assurance that the SIFT Proposals will be enacted in the form set out in Bill C-52.

#### New Taxation Regime

The SIFT Proposals alter the taxation regime applicable to income trusts that are SIFTs and their investors. For SIFTs that are trusts, the SIFT will be subject to tax in respect of certain distributions that are attributable to the SIFT’s “non-portfolio earnings” (generally, income (other than certain dividends) from, or capital gains realised on, “non-portfolio properties”), at a rate that is equivalent to the federal general corporate tax rate, plus 13% on account of provincial tax. Distributions that are paid as returns of capital will not attract this tax. The amount of a distribution in respect of which this tax is payable will also be taxed in the hands of the unitholder as though it were a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit if paid to an individual resident in Canada.

#### Effective Dates for New Taxation Regime

The SIFT Proposals are contemplated to apply beginning with the 2007 taxation year of a trust unless the trust would have been a SIFT trust on October 31, 2006, if the definition “SIFT trust” had been in force on that date and applied to the trust on that date (the “Existing Trust Exception”). For trusts that meet the Existing Trust Exemption, the SIFT Proposals will apply commencing with the earlier of the trust’s 2011 taxation year and the first taxation year of the trust in which it exceeds “normal growth” as determined under the Growth Guidelines.

In the Growth Guidelines, the Minister stated that a SIFT will not be considered to have exceeded “normal growth” if its equity capital were to grow as a result of issuances of new equity, in any of the intervening periods described below, by an amount that does not exceed the greater of \$50 million and an objective “safe harbour”. The Minister indicated that the safe harbour amount will be measured by reference to a SIFT’s market capitalization as at the end of trading on October 31, 2006 measured in terms of a SIFT’s issued and outstanding publicly-traded units (the “Market Capitalization”). For the period from November 1, 2006 to the end of 2007 (the “Initial Safe Harbour Period”), a SIFT’s safe harbour will be 40% of the Market Capitalization. A SIFT’s safe harbour for each of the 2008 through 2010 calendar years will be 20% of the Market Capitalization. The annual safe harbour amounts are cumulative; whereas the \$50 million amounts are not cumulative. New equity for these purposes includes units and debt that is convertible into units.

#### REIT Exception

This new taxation regime is not applicable to REITs that meet certain specified criteria relating to the nature of their income and investments. In particular, to qualify for the exception under the SIFT Proposals

applicable to REITs (the “REIT Exception”) in a particular taxation year (i) the REIT must, at no time in the taxation year, hold “non-portfolio property” other than “qualified REIT properties”, (ii) not less than 95% of the REIT’s revenues for the taxation year must be derived from one or more of the following: rent from “real or immovable properties”; interest, capital gains from dispositions of real or immovable properties; dividends; and royalties, (iii) not less than 75% of the REIT’s revenues for the taxation year must be derived from one or more of the following: rent from “real or immovable properties”, to the extent that it is derived from real or immovable properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and capital gains from dispositions of real or immovable properties situated in Canada, and (iv) at no time in the taxation year may the total fair market value of all properties held by the REIT, each of which is a real or immovable property situated in Canada, cash, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the REIT at that time. Generally, the SIFT Proposals contain a look-through rule under which a REIT could qualify for the REIT Exception where it holds its Canadian real properties indirectly through intermediate entities.

Accordingly, unless the REIT Exception is applicable to the REIT, the SIFT Proposals could, commencing in 2011, impact the level of cash distributions which would otherwise be made by the REIT. The SIFT Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including the REIT, may find difficult to satisfy or which remain to be verified. The Minister’s stated intention is to exempt REITs from taxation as SIFTs in recognition of “the unique history and role of collective real estate investment vehicles”. Bill C-52 corrected certain problems with the proposed rules, but other matters remain to be verified. Accordingly, it is possible that further changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs, including the REIT. Existing Canadian REITs, including the REIT, may need to restructure their affairs in order to limit the application of the SIFT Proposals.

The REIT shall continue to evaluate the developments in this area, and it is the intention of the REIT to take such steps as are necessary prior to 2011 to ensure that, to the extent possible, the negative effects of the proposed SIFT rules on the REIT and its Unitholders are minimized.

### **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 2006 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.*

### **Risk Factors Related to the Business of the REIT**

#### *Ownership of Immovable Property*

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

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

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

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

The REIT is subject to the risks associated with debt financing, including the risk that existing hypothecary indebtedness secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the REIT will attempt

to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the time at which hypothecary indebtedness on such properties becomes due for refinancing.

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

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

#### Competition

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

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

#### Acquisitions

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

#### Access to Capital

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

#### Dependence On Key Personnel

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

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

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

### 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.



### Limit On Activities

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

### Debt Financing

The REIT has and will continue to have substantial outstanding consolidated indebtedness comprised primarily of hypothecs, property mortgages and indebtedness under its General Acquisition Facilities. The REIT intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including its cash flow from operations, additional indebtedness and public or private sales of equity or debt securities. Although the REIT believes it is unlikely, it may not be able to renegotiate the terms of repayment of this debt at favourable rates. In addition, the terms of the REIT’s indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the REIT. Therefore, upon an event of default under such indebtedness, the REIT’s ability to make distributions will be adversely affected.

A portion of the REIT’s cash flow is devoted to servicing its debt, and there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The REIT is also subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of its existing indebtedness.

## **Risk Factors Related to the Acquisition**

### Closing of the Acquisition

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

Certain consents of hypothecary and secured creditors are also required in connection with the transfer of the Cominar Acquisition Properties to the REIT. In addition, the consent of co-owners are required in connection with the transfer of certain of the Cominar Acquisition Properties to the REIT. There is no assurance that such consents will be obtained. Certain of the Cominar Acquisition Properties are subject to rights of first refusal or similar rights in favour of third parties. If such third parties exercise any such rights, the Cominar Acquisition Properties shall not be sold to the REIT and the purchase price for the Cominar Acquisition Properties shall be reduced by an amount agreed to by the REIT and Homburg, and the REIT will have to find other uses for the excess funds. There can be no assurances that Cominar Acquisition Properties subject to rights of first refusal will be purchased by the REIT in the Acquisition.

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

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

*Unexpected Costs or Liabilities Related to the Acquisition; Information Concerning Homburg, Alexis Nihon and the Cominar Acquisition Properties*

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

The information concerning Homburg, Alexis Nihon and the Cominar Acquisition Properties contained in this short form prospectus is based solely upon publicly available information, has not been independently verified and there can be no assurances regarding the accuracy and completeness of this information.

*Integration Related Risks*

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

*Dependence on Key Personnel*

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

**Risk Factors Related to the Ownership of Securities**

*Market Price*

There is currently no trading market for the Subscription Receipts or Debentures. The REIT has applied to have the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and upon conversion of the Debentures listed on the TSX. Listing will be subject to the REIT fulfilling all the listing requirements of the TSX. No assurance can be given that an active or liquid trading market for the Subscription Receipts or the Debentures will develop or be sustained. If an active or liquid market for the Subscription Receipts or Debentures fails to develop or be sustained, the prices at which the Subscription Receipts or 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.

One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of the REIT.

#### Structural Subordination Of Units And Debentures

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

#### Credit Risk And Prior Ranking Indebtedness: Absence Of Covenant Protection

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

#### 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.

### 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.

### Unitholder Liability

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

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

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

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

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

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

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

#### Status For Tax Purposes

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

There can be no assurance that the laws and regulations and the administrative and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. If the REIT ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described in this short form prospectus would be materially and adversely different in certain aspects.

Although the REIT is of the view that all expenses to be claimed by the REIT and any of its Subsidiaries in the determination of their respective incomes under the Tax Act will be reasonable and deductible 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 CRA will agree with the expenses claimed.

As per the current legislation, a mutual fund trust cannot be established or maintained primarily for the benefit of non-resident persons. Under draft legislation that was released on September 16, 2004 by the Department of Finance, an income fund will cease to qualify as a mutual fund trust if at any time after 2004 the fair market value of all units held by non-residents of Canada, or by partnerships which are not "Canadian partnerships" for the purposes of the Tax Act, is more than 50% of the fair market value of all issued and outstanding units issued by the trust where more than 10% (based on fair market value) of the trust's property is specified types of taxable Canadian property or certain other types of property. For this purpose, a partnership would only qualify as a "Canadian partnership" at a particular time if all its members at that time are resident of Canada. There is no provision in the draft legislation which would allow for rectification of the loss of mutual fund trust status. On December 6, 2004, a Notice of Ways and Means of Motion, including other changes affecting mutual fund trusts, was tabled which did not include the proposed changes referred to above. In a concurrent release, the Department of Finance announced that implementation of the proposed changes would be suspended so as to allow further consultation with interested parties. The December 6, 2004 Notice of Ways and Means Motion to implement the tax proposals contained in the 2004 Federal Budget did not contain this proposal and the Department of Finance indicated in a concurrent release that further discussions would be pursued with the private sector in this regard.

#### Dilution

The number of Units the REIT is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances. Additional Units may also be issued pursuant to the DRIP, the Unit Option Plan and any other incentive plan of the REIT, and upon conversion of the Debentures and Units issuable to the Debenture Trustee (as defined in the Indenture) in payment of interest on Debentures. Any issuance of Units may have a dilutive effect on the Unitholders.

#### 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 Tax Act contains 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.

#### Cash Distributions Are Not Guaranteed

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

#### Nature Of Investment

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

### **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Subscription Receipts, the Debentures and the Units issuable pursuant to the Subscription Receipts and upon conversion 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, L.L.P. Mr. Gérard Coulombe, Q. C., a Trustee of the REIT, is the chairman of Desjardins Ducharme, L.L.P. 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, L.L.P., as a group, each owned, beneficially or of record, less than 1% of the outstanding Units.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR, SUBSCRIPTION RECEIPT AGENT AND DEBENTURE TRUSTEE**

The auditors of the REIT are Ernst & Young LLP. The auditors of the Cominar Acquisition Properties are RSM Richter LLP.

The registrar and transfer agent for the Units is Computershare Investor Services Inc., at its principal offices in Montreal and Toronto.

The Debenture Trustee and Subscription Receipt Agent is Computershare Trust Company of Canada, at its principal offices in Montreal and Toronto.

## **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 of Cominar Real Estate Investment Trust (the "REIT") dated April 27, 2007 relating to the issue and sale of Subscription Receipts and Debentures of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

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, 2006 and 2005 and the consolidated statements of unitholders' equity, income and cash flows for the years ended December 31, 2006 and December 31, 2005. Our report is dated February 2, 2007 (except as to note 21(b) which is as of February 20, 2007 and note 21(c) which is as of March 6, 2007).

(signed) ERNST & YOUNG LLP  
Chartered Accountants  
Quebec City, Canada  
April 27, 2007

### **AUDITORS' CONSENT**

We have read the short form prospectus of Cominar Real Estate Investment Trust (the "REIT") dated April 27, 2007 relating to the issue and sale of Subscription Receipts and Debentures of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the trustees of the REIT on the consolidated balance sheet of Cominar Acquisition Properties as at December 31, 2006 and the consolidated statements of income, equity in net assets and cash flows for the year then ended. Our report is dated March 30, 2007.

(signed) RSM RICHTER LLP  
Chartered Accountants  
Montreal, Québec  
April 27, 2007



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Pro Forma Consolidated Financial Statements

**Cominar Real Estate Investment Trust**

Unaudited

December 31, 2006

## Cominar Real Estate Investment Trust

### PRO FORMA CONSOLIDATED BALANCE SHEET

As at December 31, 2006

Unaudited  
[in thousands of dollars]

	Cominar REIT	Cominar Acquisition Properties	Pro forma adjustments	Note 3	Pro forma consolidated
	\$	\$	\$		\$
<b>ASSETS</b>					
Income properties	711,441	390,621	(5,657)	(a) i.	
			(8,825)	(b)	
			170,150	(d)	1,257,730
Intangible assets	—	23,626	8,825	(b)	
			34,824	(e)	67,275
Properties under development	16,628	3,454	—		20,082
Land held for future development	7,604	—			7,604
Deferred expenses and other assets	31,819	—	5,657	(a) i.	
			2,852	(a) ii.	
			(8,509)	(c)	
			2,705	(g)	34,524
Prepaid expenses	2,654	—	648	(a) ii.	
			(648)	(c)	2,654
Accounts receivable	20,071	—	867	(a) ii.	
			(867)	(c)	20,071
Other assets	—	7,072	(4,367)	(a) ii.	
			(2,705)	(c)	—
	<b>790,217</b>	<b>424,773</b>	<b>194,950</b>		<b>1,409,940</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
Mortgages payable	270,649	255,035	(1,161)	(a) iii.	
			4,010	(f)	528,533
Convertible debentures	43,239	—	68,425	(g)	111,664
Bank indebtedness	73,616	—	(67,230)	(h)	
			184,870	(h)	191,256
Intangible liabilities	—	886	9,132	(e)	10,018
Accounts payable and accrued liabilities	21,606	11,101	1,161	(a) iii.	
			(12,262)	(c)	21,606
Distributions payable to unitholders	4,099	—	—		4,099
	<b>413,209</b>	<b>267,022</b>	<b>186,945</b>		<b>867,176</b>
<b>Unitholders' equity</b>	<b>377,008</b>	<b>—</b>	<b>164,246</b>	(i)	
			1,575	(g)	
			(65)	(g)	542,764
<b>Equity in net assets</b>	<b>—</b>	<b>157,751</b>	<b>(157,751)</b>	(j)	<b>—</b>
	<b>790,217</b>	<b>424,773</b>	<b>194,950</b>		<b>1,409,940</b>

See accompanying notes to the pro forma consolidated financial statements

## Cominar Real Estate Investment Trust

### PRO FORMA CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2006

Unaudited  
[in thousands of dollars except per unit amounts]

	Cominar REIT	Cominar Acquisition Properties	Pro forma adjustment s	Note 4	Pro forma consolidated
	\$	\$	\$		\$
<b>Operating revenues</b>					
Rental revenue from income properties	131,686	72,934	1,070	(b)	205,690
<b>Operating expenses</b>					
<b>Operating income before the under noted</b>	<b>80,271</b>	<b>37,928</b>	<b>1,070</b>		<b>119,269</b>
Interest on borrowings	22,021	14,738	(66)	(c)	
			4,168	(d) i.	
			6,812	(d) ii.	
			(515)	(f)	47,158
Depreciation of income properties and amortization of intangible assets	16,188	9,426	3,644	(a)	
			8,212	(g)	37,470
Amortization of deferred expenses and other assets	6,867	10,316	(2,103)	(c)	
			345	(e)	
			(8,212)	(g)	7,213
	<b>45,076</b>	<b>34,480</b>	<b>12,285</b>		<b>91,841</b>
<b>Operating income from real estate assets</b>	<b>35,195</b>	<b>3,448</b>	<b>(11,215)</b>		<b>27,428</b>
<b>Trust administrative expenses</b>	<b>2,130</b>	<b>—</b>	<b>—</b>		<b>2,130</b>
<b>Other revenues</b>	<b>488</b>	<b>—</b>	<b>—</b>		<b>488</b>
<b>Unusual item</b>	<b>554</b>	<b>—</b>	<b>—</b>		<b>554</b>
<b>Net income from continuing operations</b>	<b>32,999</b>	<b>3,448</b>	<b>(11,215)</b>		<b>25,232</b>
<b>Net income from discontinued operations</b>	<b>1,076</b>	<b>—</b>	<b>—</b>		<b>1,076</b>
<b>Net income</b>	<b>34,075</b>	<b>3,448</b>	<b>(11,215)</b>		<b>26,308</b>
<b>Net income per unit – basic</b>	<b>0.992</b>			<b>(h)</b>	<b>0.634</b>
<b>Net income per unit – diluted</b>	<b>0.977</b>			<b>(h)</b>	<b>0.626</b>

*See accompanying notes to the pro forma consolidated financial statements*

## **Cominar Real Estate Investment Trust**

# **NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

### **1. PROPOSED TRANSACTION AND BASIS OF PRESENTATION**

On February 19, 2007, Homburg Invest Inc. (“Homburg”) and Cominar Real Estate Investment Trust (“Cominar REIT”) entered into a letter agreement (the “Alexis Nihon Asset Sale Agreement”) for the purchase and sale of certain office and industrial properties (the “Cominar Acquisition Properties”) of Alexis Nihon Real Estate Investment Trust (“Alexis Nihon REIT”) representing 6.5 million sq. ft. of space, subject to Homburg and its affiliates acquiring 100% of the issued and outstanding units of Alexis Nihon REIT by August 31, 2007.

Pursuant to the Alexis Nihon Asset Sale Agreement, Alexis Nihon REIT and its wholly owned entities will sell, transfer, assign and convey to Cominar the Cominar Acquisition Properties, together with all leases, offers to lease and contracts related thereto and all equipment, machinery and movables owned by Alexis Nihon REIT and used principally in the maintenance, repair or operation of the Cominar Acquisition Properties, for an aggregate purchase price of \$592 million. The purchase price shall be paid by the assumption by Cominar REIT of the outstanding principal balance under the terms of the existing mortgage financings in respect of the Cominar Acquisition Properties and by a cash payment for the remaining amount. A sum of \$17.1 million (the “Cominar Deposit”) has been paid to Homburg by Cominar REIT as a deposit for the purchase price. If the transactions contemplated in the Alexis Nihon Asset Sale Agreement are not completed as a result of a default of Cominar REIT, the Cominar Deposit will be paid to Homburg as liquidated damages.

Some of the Cominar Acquisition Properties are subject to rights of first refusal or similar rights in favour of third parties. If such third parties exercise any such rights, said Cominar Acquisition Properties will not be sold to Cominar REIT and the purchase price will be reduced by an amount agreed to by the parties.

Cominar REIT will request all necessary mortgage consents for the sale of the Cominar Acquisition Properties and the assumption of other existing financing on the Cominar Acquisition Properties from the applicable mortgage lenders. The pro forma consolidated financial statements assume that the consents will be obtained.

The closing of the asset sale to Cominar REIT will take place within a period of 60 days following the date that Homburg acquires 100% of the issued and outstanding units (the “Cominar REIT Closing Date”).

To finance this acquisition, Cominar REIT will issue units and obtain additional bank borrowings. (Refer to the prospectus for a complete description of the issued securities).

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**1. PROPOSED TRANSACTION AND BASIS OF PRESENTATION**  
**[Cont'd]**

Cominar REIT is an unincorporated closed-end real estate investment trust created pursuant to a Contract of Trust on March 31, 1998 under the laws of the Province of Québec. Cominar REIT is authorized to issue an unlimited number of units of a single class. The units represent a unitholder's proportionate and undivided ownership interest in Cominar REIT. Each unit confers the right to one vote at any meeting of unitholders and the right to participate equally and ratably in any distributions.

The accompanying unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statement of income of Cominar REIT have been prepared by management in accordance with National Instrument 51-102, *Continuous Disclosure Obligations*, using information derived from the audited consolidated financial statements of Cominar REIT as at December 31, 2006 and for the year then ended incorporated by reference in the prospectus and the audited consolidated financial statements of Cominar Acquisition Properties as at December 31, 2006 and for the year then ended included in the prospectus.

The accounting policies used in preparing the pro forma consolidated financial statements are in accordance with those disclosed in the audited consolidated financial statements of Cominar REIT. The audited consolidated financial statements of Cominar Acquisition Properties have been prepared by management of Alexis Nihon REIT on a carve-out basis using information derived from the audited consolidated financial statements of Alexis Nihon REIT as at December 31, 2006.

The unaudited pro forma consolidated financial statements should be read in conjunction with the description of the transactions in the Cominar Real Estate Investment Trust Prospectus ("the Prospectus") and the audited consolidated financial statements of Cominar REIT, Alexis Nihon REIT and Cominar Acquisition Properties including the accompanying notes.

The unaudited pro forma consolidated financial statements of Cominar REIT are not necessarily indicative of the results or financial position that actually would have been achieved if the transactions and assumptions reflected herein had actually occurred on the dates indicated or the results or financial position of Cominar REIT that may be obtained in the future. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the operating synergies resulting from the proposed acquisition. Subsequent to December 31, 2006, Cominar REIT reduced the amount drawn on its credit facilities by refinancing certain of its properties with fixed-rate mortgages. These consolidated financial statements do not give effect to these transactions.

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**2. PRO FORMA CONSOLIDATED BALANCE SHEET AND PRO  
FORMA CONSOLIDATED STATEMENT OF INCOME**

The proposed transaction will be accounted for using the purchase method. The unaudited pro forma consolidated financial statements contained herein reflect the transaction based on the assumption that all the properties under the Alexis Nihon Asset Sale Agreement are acquired as part of the transaction.

The purchase price and the purchase price allocation are based on preliminary estimates including estimates of fair values as at the date of the preparation of these unaudited pro forma consolidated financial statements and do not necessarily reflect values that will be used at the time the Cominar REIT Closing Date occurs, and accordingly, are subject to material changes.

Based on the estimated fair value of the assets and liabilities, the purchase price is detailed as follows:

	<b>2006</b>
	\$
<hr/>	
<b>Net assets acquired</b>	
Income properties	555,114
Intangible assets	58,450
Properties under development	3,454
Intangible liabilities	(10,018)
	<hr/>
	<b>607,000</b>
<hr/>	
<b>Fair value of the consideration</b>	
Mortgages payable assumed	257,884
Cominar deposit	17,100
Cash payment	317,016
Acquisition costs	15,000
	<hr/>
	<b>607,000</b>
<hr/>	

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**2. PRO FORMA CONSOLIDATED BALANCE SHEET AND PRO  
FORMA CONSOLIDATED STATEMENT OF INCOME [Cont'd]**

The unaudited pro forma consolidated balance sheet of Cominar REIT as at December 31, 2006 has been prepared using information derived from the audited consolidated balance sheets of Cominar REIT and Cominar Acquisition Properties as at December 31, 2006, as if the transactions outlined herein had occurred on December 31, 2006.

The unaudited pro forma consolidated statement of income of Cominar REIT for the year ended December 31, 2006 has been prepared using information derived from the audited consolidated statements of income of Cominar REIT and Cominar Acquisition Properties for the year ended December 31, 2006, as if the transactions outlined herein had occurred on January 1, 2006.

**3. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
BALANCE SHEET AS AT DECEMBER 31, 2006**

The unaudited pro forma consolidated balance sheet includes the following adjustments:

- (a) Certain Cominar Acquisition Properties amounts in the consolidated audited financial statements as at December 31, 2006 have been reclassified to conform to the presentation adopted by Cominar REIT.

- i. Reclassification of assets from Income properties to:

	\$
<hr/>	
Deferred expenses and other assets	<b>5,657</b>

- ii. Reclassification of assets from Other assets to:

	\$
<hr/>	
Accounts receivable	<b>867</b>
Prepaid expenses	<b>648</b>
Deferred expenses and other assets	<b>2,852</b>
<hr/>	
	<b>4,367</b>



**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**3. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2006 [Cont'd]**

iii. Reclassification of accrued interest from Mortgages payable to Accounts payable and accrued liabilities.

(b) One amount in the Cominar REIT consolidated financial statements as at December 31, 2006 has been reclassified:

	\$
<hr/>	
Reclassification of assets from Income properties to Intangible assets	<b>8,825</b>
<hr/>	

(c) Elimination from the balance sheet of assets not acquired and liabilities not assumed in connection with the acquisition of Cominar Acquisition Properties.

(d) Fair value adjustment relating to Cominar Acquisition Properties Income properties to present them at their estimated fair value on the acquisition date. The adjustment represents the appreciation relating to the identifiable tangible assets, i.e. the buildings and land.

(e) Fair value adjustment relating to Cominar Acquisition Properties Intangible assets and Intangible liabilities to present them at their estimated fair value on the acquisition date. The adjustment is recognized in accordance with the Abstracts of the discussions of the Emerging Issues Committee EIC-137 and EIC-140 of the Canadian Institute of Chartered Accountants that require Cominar REIT to separately recognize the fair market values of the intangible assets and liabilities represented by the purchase price in respect of the existing operating leases, client relationships and off-market leases.

(f) Fair value adjustment related to the discount on the Mortgages payable to present them at their estimated fair value on the acquisition date. The fair value of the mortgages payable has been estimated based on current market rates for mortgages with similar terms and maturities. The discounts are amortized over the remaining term of the respective mortgages.

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**3. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
BALANCE SHEET AS AT DECEMBER 31, 2006 [Cont'd]**

- (g) Issuance of \$70 million convertible debentures (“The Convertible Debentures”) maturing June 30, 2014 and bearing interest at 5.7%. The Convertible Debentures are convertible at the option of the holders into units of Cominar REIT at a conversion rate of approximately 36.36 units per \$1,000 principal amount of Convertibles Debentures. The debt portion of this compound financial instrument has been calculated as the present value of the required payments discounted at a rate approximating the interest rate on similar debt without a conversion option. The fair value of the debt component, using a 6.1% interest rate, amounted to \$68,425. The residual amount of \$1,575 was included with Unitholders’ equity. Issuance costs of \$2,770 have been allocated on a prorata basis to deferred financing costs and Unitholders’ equity.
  
- (h) In addition to its operating and acquisition credit facilities, Cominar REIT signed a commitment letter (the “Commitment Letter”) on February 18, 2007 with a Canadian chartered bank with respect to the bridge credit facility (the “Bridge Credit Facility”) to finance the cash portion of the purchase price and related acquisition costs, if necessary.

Amounts outstanding under the operating and acquisition credit facilities and the Bridge Credit Facility (collectively the “Credit Facilities”) will bear interest at varying rates depending upon, among other things, the facility and timing. Amounts may be advanced, at the option of the borrower, as either: (i) prime rate advances at interest rates ranging from the prime rate plus 0.0% to 5.5%; or (ii) bankers’ acceptances at varying rates equal to the applicable bankers’ acceptances rate plus 1.5% to 6.5%. Principal amounts outstanding under the Credit Facilities may be repaid or prepaid any time without penalty or discount, subject to normal breakage costs.

Certain of the Credit Facilities will be secured and will contain covenants, events of default and other terms customary for credit facilities of this nature, including certain restrictions on the disposition of Cominar REIT properties, the further incurring of liens on its property, assets and undertakings and on the incurring of additional indebtedness.

The Credit Facilities include conditions precedent to the financing covenants which are typical in real estate financings, such as the amount of security, the provision of customary legal opinions and the obtaining of all required consents. There is no due diligence condition precedent.

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**3. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
BALANCE SHEET AS AT DECEMBER 31, 2006 [Cont'd]**

It is assumed that the net proceeds amounting to \$67,230 from the issuance of the Convertible Debentures will be used to partially reimburse the bank borrowings. It is also assumed that bank borrowings totalling \$184,870 required to finance the transaction will be drawn from the existing operating and acquisition credit facilities of Cominar REIT and that no amount will be drawn from the Bridge Credit Facility. Consequently, bank borrowings were increased by a net adjustment \$117,640.

- (i) Issuance of 7,113,000 units of Cominar REIT for \$170,001. Estimated issuance costs amounting to \$5,755 have been recorded as a reduction of Unitholders' equity.
- (j) Adjustment to eliminate the share in Cominar Acquisition Properties net assets.

**4. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
STATEMENT OF INCOME FOR THE YEAR ENDED  
DECEMBER 31, 2006**

The unaudited pro forma consolidated statement of income for the year ended December 31, 2006 includes the following adjustments:

- (a) The depreciation of income properties and amortization of intangible assets have been adjusted based on the estimated additional values allocated on the acquisition date as follows:

	\$	
Depreciation of income properties	<b>1,674</b>	Straight line over 40 years
Amortization of intangible assets	<b>1,970</b>	Straight line over the estimated term of the respective leases and the duration of the client relationships
	<b>3,644</b>	

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**4. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
STATEMENT OF INCOME FOR THE YEAR ENDED  
DECEMBER 31, 2006 [Cont'd]**

- (b) Adjustment to reflect the additional amortization of intangibles assets related to below-market leases assumed in the acquisition of Cominar Acquisition Properties, calculated according to the estimated remaining terms of the respective leases.
- (c) Elimination of the amortization of the Cominar Acquisition Properties deferred leasing costs and deferred financing costs.
- (d)
  - i. Adjustment to reflect interest at a rate of 6.1% on the debt component of the Convertible Debentures.
  - ii. Adjustment to reflect interest at a rate of 5.8% (bankers' acceptance rate on April 18, 2007 plus 1.5%) on net additional bank borrowings totalling \$117,640. It is assumed that no amount will be drawn from the Bridge Credit Facility.
- (e) Amortization of deferred financing costs related to debt component of the Convertible Debentures.
- (f) Amortization of the discount recorded upon recognition of Cominar Acquisition Properties mortgages payable at their fair market value on the acquisition date.
- (g) Reclassification of the amortization of lease origination costs incurred through acquisitions from amortization of deferred expenses and other assets to Depreciation of income properties and amortization of intangible assets.

**Cominar Real Estate Investment Trust**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL  
STATEMENTS**

December 31, 2006

Unaudited  
[in thousands of dollars]

**4. ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED  
STATEMENT OF INCOME FOR THE YEAR ENDED  
DECEMBER 31, 2006 [Cont'd]**

- (h) Per unit calculations are based on the weighted average number of units outstanding for the period. The calculation of per unit information on a diluted basis considers the potential exercise of outstanding unit options of Cominar REIT to the extent each unit option is dilutive. The weighted average number of units has been adjusted to reflect the number of Cominar REIT units to be issued pursuant to the prospectus. The potential issuance of units pursuant to convertible debentures has an anti-dilutive effect on the calculation of diluted net income per unit.

The following table provides a summary:

	<b>Cominar REIT for the year ended December 31, 2006</b>	<b>Pro forma adjustments</b>	<b>Pro forma consolidated</b>
Weighted average number of units outstanding-basic	34,364,768	7,113,000	41,477,768
Effect of dilutive unit options	513,154	—	513,154
<b>Weighted average number of units outstanding-diluted</b>	<b>34,877,922</b>	<b>7,113,000</b>	<b>41,990,922</b>

# **Cominar Acquisition Properties**

**Consolidated Financial Statements  
December 31, 2006**

## **Auditors' Report**

To the Trustees of Cominar Real Estate Investment Trust ("Cominar")

We have audited the consolidated balance sheet of Cominar Acquisition Properties as at December 31, 2006 and the consolidated statements of income, equity in net assets and cash flows for the year then ended. These financial statements are the responsibility of Alexis Nihon Real Estate Investment Trust's ("Alexis Nihon") management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Cominar Acquisition Properties as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

*R S M Richter LLP*

**Chartered Accountants**

Montreal, Quebec  
March 30, 2007

# Cominar Acquisition Properties

## Consolidated Balance Sheet

As at December 31, 2006

(in thousands of dollars)

	2006	2005 (Unaudited)
<b>Assets</b>		
Income-producing properties (note 4)	\$ 390,621	\$ 373,542
Intangible assets (note 5)	23,626	28,688
Property held for development (note 6)	3,454	-
Other assets (note 7)	7,072	6,183
	<b>\$ 424,773</b>	<b>\$ 408,413</b>
<b>Liabilities</b>		
Debts on income-producing properties (note 8)	\$ 255,035	\$ 216,047
Intangible liabilities (note 9)	886	1,342
Accounts payable and accrued liabilities	11,101	10,063
	<b>267,022</b>	<b>227,452</b>
<b>Commitments and Contingencies (note 10)</b>		
<b>Equity in Net Assets</b>	<b>157,751</b>	<b>180,961</b>
	<b>\$ 424,773</b>	<b>\$ 408,413</b>

See accompanying notes



# Cominar Acquisition Properties

## Consolidated Statement of Equity in Net Assets

For the Year Ended December 31, 2006

(in thousands of dollars)

	2006	2005 (Unaudited)
<b>Equity in net assets, beginning of year</b>	<b>\$ 180,961</b>	<b>\$ 153,870</b>
Net income	3,448	5,285
(Distributions to) received from non-acquired operations	(26,658)	21,806
<b>Equity in net assets, end of year</b>	<b>\$ 157,751</b>	<b>\$ 180,961</b>

See accompanying notes

# Cominar Acquisition Properties

## Consolidated Statement of Income For the Year Ended December 31, 2006 (in thousands of dollars)

	2006	2005 (Unaudited)
<b>Revenues from Rental Operations</b> (note 11)	<b>\$ 72,934</b>	<b>\$ 64,407</b>
<b>Rental Property Operating Costs</b>	<b>35,006</b>	31,157
<b>Net Operating Income</b>	<b>37,928</b>	33,250
<b>Expenses</b>		
Interest (note 12)	14,738	11,611
Amortization of buildings	9,426	8,507
Other amortization (note 13)	10,316	7,847
	<b>34,480</b>	27,965
<b>Net Income</b>	<b>\$ 3,448</b>	<b>\$ 5,285</b>

See accompanying notes

# Cominar Acquisition Properties

## Consolidated Statement of Cash Flows For the Year Ended December 31, 2006 (in thousands of dollars)

	2006	2005 (Unaudited)
<b>Cash Flows generated from (used for) -</b>		
<b>Operating Activities</b>		
Net income	\$ 3,448	\$ 5,285
Items not affecting cash:		
Amortization of buildings	9,426	8,507
Other amortization	10,316	7,847
Amortization of above and below market in-place leases	33	44
Amortization of deferred financing costs	158	110
Amortization of deferred recoverable costs	228	272
Accrued rental revenue	(823)	(658)
Changes in:		
Other assets (note 17)	408	(327)
Accounts payable and accrued liabilities	1,005	3,711
Additions to tenant improvements and leasing costs	(6,128)	(4,662)
Additions to deferred recoverable costs	(1,946)	(1,127)
<b>Cash Flows generated from Operating Activities</b>	<b>16,125</b>	<b>19,002</b>
<b>Financing Activities</b>		
Increase in debts on income-producing properties	40,838	32,938
Repayment of debts on income-producing properties	(8,538)	(8,839)
Amortization of fair value debt adjustment	(92)	(126)
Additions to deferred financing costs	(398)	(245)
Distributions from non-acquired operations	(26,658)	21,806
<b>Cash Flows generated from Financing Activities</b>	<b>5,152</b>	<b>45,534</b>
<b>Investing Activities</b>		
Acquisition of rental properties (note 3)	(16,902)	(62,473)
Additions to buildings	(3,779)	(1,288)
Additions to property under development	(196)	-
Deposits on potential acquisitions	(400)	(775)
<b>Cash Flows used for Investing Activities</b>	<b>(21,277)</b>	<b>(64,536)</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2006 (Information as at December 31, 2005 and for the Year Ended December 31, 2005 is unaudited) (Dollar amounts are in thousands)

### 1. Basis of Presentation

The consolidated financial statements of Cominar Acquisition Properties have been prepared on a carve-out basis from the consolidated financial statements of Alexis Nihon to account solely for the properties that Cominar will purchase. These consolidated financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses and equity in net assets of Cominar Acquisition Properties to satisfy the filing requirements under Part 8.4 (1) of National Instruments 51-102 regarding the acquisition by Cominar of certain real estate assets owned by Alexis Nihon.

Because the properties were a part of a corporate group, these consolidated financial statements depict the equity in net assets representing the amount associated specifically with these properties. Management's estimates, where necessary, have been used to prepare such allocation. Amounts not specifically carved out for purposes of these consolidated financial statements include certain administrative costs such as those relating to head office and to a public entity.

Cominar Acquisition Properties is not a legal entity and is comprised of 100% interest in the following income-producing properties:

1080 Beaver Hall Hill, Montreal, Québec  
4700 de la Savane, Montreal, Québec  
455 Fénélon, Dorval (Montreal), Québec  
9900 Cavendish, Saint-Laurent (Montreal), Québec  
9999 Cavendish, Saint-Laurent (Montreal), Québec  
9960-9970 Côte-de-Liesse Road, Lachine (Montreal), Québec  
1 Place Laval, Laval, Québec  
2 Place Laval, Laval, Québec  
3 Place Laval, Laval, Québec  
4 Place Laval, Laval, Québec  
3080 Le Carrefour Boulevard, Laval, Québec  
3090 Le Carrefour Boulevard, Laval, Québec  
3100 Le Carrefour Boulevard, Laval, Québec  
2525 Daniel Johnson, Laval, Québec  
550 De la Cité Blvd., Gatineau, Québec  
480 De la Cité Blvd., Gatineau, Québec  
1111 Dr Frederick-Phillips, Saint-Laurent (Montreal), Québec  
3300 Côte-Vertu Blvd., Saint-Laurent (Montreal), Québec  
400 Cooper Street, Ottawa, Ontario  
3071-3075 Louis A. Amos and 1922-1996 Onésime-Gagnon  
Lachine (Montreal), Québec  
1615-1805 - 55<sup>th</sup> Avenue, Dorval (Montreal), Québec  
3339-3403 Griffith, Saint-Laurent (Montreal), Québec  
8100 Cavendish, Saint-Laurent (Montreal), Québec  
1949 Onésime-Gagnon, Lachine (Montreal), Québec  
2260 - 32<sup>nd</sup> Avenue and 3142-3190 Joseph-Dubreuil,  
Lachine (Montreal), Québec  
2102-2150 - 32<sup>nd</sup> Avenue, Lachine (Montreal), Québec  
2024-2080 - 32<sup>nd</sup> Avenue, Lachine (Montreal), Québec  
6320-6380 Côte-de-Liesse Road, Saint-Laurent (Montreal), Québec

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 1. Basis of Presentation (Cont'd)

2025 de la Métropole, Longueuil, Québec  
1925-1975 Hymus Blvd., Dorval (Montreal), Québec  
80-140 Lindsay, Dorval (Montreal), Québec  
8411-8453 Dalton Road, Mount-Royal (Montreal), Québec  
8459-8497 Dalton Road, Mount-Royal (Montreal), Québec  
8545-8579 Dalton Road, Mount-Royal (Montreal), Québec  
8605-8639 Dalton Road, Mount-Royal (Montreal), Québec  
7527-7583 Henri Bourassa Blvd. East, Montreal, Québec  
8552-8648 Pie-IX Blvd., Montreal, Québec  
8740-8878 Pie-IX Blvd., Montreal, Québec  
7075 Place Robert-Joncas, Saint-Laurent (Montreal), Québec  
1225 Volta, Boucherville, Québec  
2000 Halpern Street, Saint-Laurent (Montreal), Québec  
2105, 23<sup>rd</sup> Avenue, Lachine (Montreal), Québec  
1111, 46<sup>th</sup> Avenue, Lachine (Montreal), Québec  
5055 Levy Street, Saint-Laurent (Montreal), Québec  
2400 Trans-Canada Highway, Pointe-Claire (Montreal), Québec  
243 Hymus Blvd., Pointe-Claire (Montreal), Québec  
2555 Pitfield Road, Saint-Laurent (Montreal), Québec

25% interest in the following income-producing properties:

731-749 Meloche and 11450 Côte-de-Liesse Road,  
Dorval (Montreal), Québec  
703-729 Meloche, Dorval (Montreal), Québec  
679-701 Meloche and 135-137 Lindsay, Dorval (Montreal), Québec

and 50% in the following income-producing properties:

1710-1850 - 55<sup>th</sup> Avenue and 5435 François-Cusson  
Lachine (Montreal), Québec  
1520-1660 - 55<sup>th</sup> Avenue and 5430 Fairway,  
Lachine (Montreal), Québec  
1875 - 55<sup>th</sup> Avenue and 22-62 Lindsay, Dorval (Montreal), Québec  
1200 - 55<sup>th</sup> Avenue, Lachine (Montreal), Québec

All amounts have been derived from accounting information specific to the properties to be sold to Cominar.

On consolidation, all material inter-entity transactions and balances have been eliminated.

These consolidated financial statements may not necessarily reflect Cominar Acquisition Properties' results of operations and financial position in future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had Cominar Acquisition Properties been a stand-alone entity during the periods presented.

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 2. Summary of Significant Accounting Policies

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian Generally Accepted Accounting Principles requires Alexis Nihon's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Significant estimates and assumptions made by Alexis Nihon's management include, but are not limited to, the useful lives of long-lived assets, the cash flows expected from the on-going use and disposal of long-lived assets, the discount rates used in determining certain fair value estimates and the fair values of tangible and intangible assets acquired upon the purchase of income-producing properties.

#### Revenue Recognition

Alexis Nihon uses the straight-line method of recognizing rental revenue whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the related agreements. Recoveries from tenants for taxes, insurance and other operating expenses are recognized as revenues in the period in which the applicable costs are incurred. Recoveries for repair and maintenance costs (deferred recoverable costs) are recognized on a straight-line basis over the expected life of the items. Parking and other incidental are recognized when the services are provided.

#### Income-Producing Properties

Income-producing properties include land, buildings, tenant improvements (developed by the Alexis Nihon), leasing costs, deferred recoverable costs and tenant improvements recorded on acquisitions which are carried at cost less accumulated amortization. Cost includes the purchase price of the asset plus acquisition-related costs. Income-producing properties are reviewed periodically for impairment as described under "Impairment of Long-Lived Assets".

Maintenance and repairs that are not recoverable from tenants are either expensed as incurred, or, in the case of a major item, capitalized to buildings and amortized on a straight-line basis over the expected useful life of the item.

Amortization of buildings is provided using the straight-line method over 35 years.

Major repair and maintenance items that are recoverable from tenants are capitalized to deferred recoverable costs and amortized on a straight-line basis over the expected useful life of the items. The amortization of these items are included in rental property operating costs.

Amortization of leasing costs and tenant improvements including tenant inducements and allowances are provided using the straight-line method over the terms of the related leases.

#### Intangible Assets and Liabilities

A portion of the purchase price of an income-producing property must be allocated to intangible components including in-place leasing costs, above and below market leases and tenant relationships, if any. This allocation is based on Alexis Nihon's management's estimate of their fair values. These intangibles are amortized on a straight-line basis over the terms of the related leases. The amortization of the above and below market in-place leases is recorded in revenues from rental operations. Intangibles are reviewed periodically for impairment as described under "Impairment of Long-Lived Assets".

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 2. Summary of Significant Accounting Policies (Cont'd)

#### Property Held for Development

Property held for development includes land and building, which are carried at cost. Cost includes the purchase price of the asset, acquisition-related costs, other direct costs of development and construction, property taxes, interest on specific debt and all incidental property expenses. Properties held for development are reviewed periodically for impairment as described under "Impairment of Long-Lived Assets".

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

#### Impairment of Long-Lived Assets

Long-lived assets, which include income-producing properties, intangibles, properties held for development and furniture, fixtures and computers, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

#### Deferred Financing Costs

Deferred financing costs are amortized over the terms of the related debt.

#### Income Taxes

Income taxes for the subsidiary companies are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values.

Future income taxes are computed using substantively enacted corporate income tax rates for the years in which the differences are expected to reverse.

### 3. Acquisition of Rental Properties

During the year, four income-producing properties and related assets and liabilities were acquired (2005 - five income-producing properties and related assets and liabilities). A portion of one income-producing property has been classified as held for development. The following table summarizes the net assets acquired:

	2006	2005 (Unaudited)
Land held for development	\$ 1,786	\$ -
Building under development	1,472	-
Land	6,971	14,977
Buildings	10,012	48,217
Intangible assets and liabilities:		
Lease origination costs for in-place leases	3,588	15,917
Above market in-place leases	51	439
Below market in-place leases	-	(734)
Other assets	237	-

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 3. Acquisition of Rental Properties (Cont'd)

	2006	2005 (Unaudited)
Accounts payable and accrued liabilities	(35)	-
Debts on income-producing properties	-	(15,518)
Consideration paid for the net assets acquired	<b>\$ 24,082</b>	\$ 63,298
Consideration paid funded by:		
Cash and bank indebtedness	<b>\$ 16,902</b>	\$ 62,473
Deposits	<b>400</b>	825
Balance of purchase price	<b>6,780</b>	-
	<b>\$ 24,082</b>	\$ 63,298

The balance of purchase price payable bears interest at 5.5% until June 19, 2007 and 8% thereafter. Monthly repayment of \$10 plus interest is payable from June 19, 2008 to June 19, 2009. The remaining balance is due on June 19, 2009. The balance of purchase price payable is grouped with debts on income-producing properties.

The results of operations of income-producing properties are included in the consolidated financial statements from their date of acquisition.

### 4. Income-Producing Properties

			2006	2005 (Unaudited)
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	\$ 71,323	\$ -	<b>\$ 71,323</b>	\$ 64,351
Buildings and tenant improvements	342,418	28,777	<b>313,641</b>	305,958
Leasing costs	4,389	1,305	<b>3,084</b>	2,378
Deferred recoverable costs	3,074	501	<b>2,573</b>	855
	<b>\$ 421,204</b>	<b>\$ 30,583</b>	<b>\$ 390,621</b>	\$ 373,542

### 5. Intangible Assets

			2006	2005 (Unaudited)
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Lease origination costs for in-place leases	\$ 40,037	\$ 17,219	<b>\$ 22,818</b>	\$ 27,442
Above market in-place leases	1,911	1,103	<b>808</b>	1,246
	<b>\$ 41,948</b>	<b>\$ 18,322</b>	<b>\$ 23,626</b>	\$ 28,688



# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 6. Properties held for development

	2006	2005 (Unaudited)
Land held for development	\$ 1,786	\$ -
Building under development	1,668	-
	\$ 3,454	\$ -

During the year, interest expense of \$64 (2005 - \$Nil) was capitalized to properties held for development.

### 7. Other Assets

	2006	2005 (Unaudited)
Accounts receivable	\$ 867	\$ 1,454
Deferred rent receivable	1,965	1,142
Prepays	648	719
Restricted funds	2,828	2,265
Deferred financing costs	740	500
Furniture, fixtures and computers	2	5
Other	22	98
	\$ 7,072	\$ 6,183

Restricted funds held at Canadian financial institutions are pursuant to agreements with various mortgage lenders.

Deferred financing costs are net of accumulated amortization of \$277 (December 31, 2005 - \$119).

Furniture, fixture and computers are net of accumulated amortization of \$6 (December 31, 2005 - \$5).

### 8. Debts on Income-Producing Properties

	2006	2005 (Unaudited)
Loans secured by mortgages on income-producing properties, bearing interest at a weighted average annual rate of 5.76%, repayable in blended monthly installments of \$1,807 maturing at various dates no later than December 1, 2021	\$ 253,744	\$ 214,778
Accrued interest	1,161	1,047
	254,905	215,825
Fair value debt adjustment (note 12)	130	222
	\$ 255,035	\$ 216,047

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 8. Debts on Income-Producing Properties (Cont'd)

Principal repayments of debt on income-producing properties are due as follows:

	Installments payments	Due on maturity	Total
2007	\$ 7,282	\$ 2,887	\$ 10,169
2008	7,287	17,368	24,655
2009	5,996	53,724	59,720
2010	5,986	22,738	28,724
2011	5,727	5,064	10,791
Subsequent to 2011	39,223	80,462	119,685
	71,501	182,243	253,744
Accrued interest			1,161
			\$ 254,905

### 9. Intangible Liabilities

		2006	2005 (Unaudited)
	Cost	Accumulated Amortization	Net Carrying Amount
Below market in-place leases	\$ 1,892	\$ 1,006	\$ 886
			\$ 1,342

### 10. Commitments and Contingencies

- (a) The annual future payments required under emphyteutic leases, expiring from 2046 to 2047, on land for two income-producing properties and a portion of a third income-producing property having a total net carrying value of \$43,657 (2005 - \$43,664), are as follows:

2007	\$ 324
2008	325
2009	325
2010	325
2011	325
Subsequent to 2011	11,410

- (b) Letters of guarantee outstanding as at December 31, 2006 amount to \$5,000 (2005 - \$5,000). This amount has been given as a performance guarantee to execute required repairs under a mortgage agreement.

### 11. Revenues From Rental Operations

	2006	2005 (Unaudited)
Rental revenue contractually due under the leases	\$ 72,144	\$ 63,794
Accrued rental revenue	823	657
Amortization of above market in-place leases	(489)	(459)
Amortization of below market in-place leases	456	415
	\$ 72,934	\$ 64,407

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 12. Interest

	2006	2005 (Unaudited)
Interest on debts on income-producing properties, at stated rate	\$ 13,869	\$ 11,322
Amortization of deferred financing costs	158	110
Amortization of fair value debt adjustment	\$ (92)	\$ (126)
Other interest	803	305
	<b>\$ 14,738</b>	<b>\$ 11,611</b>

Certain debts on income-producing properties assumed on acquisitions have been adjusted to fair value using the market interest rate at the time of acquisition. This fair value debt adjustment is amortized to interest expense over the remaining life of the debts.

Interest paid during the year was \$13,901 (2005 - \$11,168).

Alexis Nihon's credit facility is secured by a first ranking hypothec on three income-producing properties included in the Cominar Acquisition Properties. Interest expense on this credit facility related to Cominar Acquisition Properties has been allocated on a pro-rata basis based on the fair market value of the properties used for security.

### 13. Other Amortization

	2006	2005 (Unaudited)
Amortization of tenant improvements and leasing costs incurred through leasing activities	\$ 2,103	\$ 1,114
Amortization of furniture, fixtures and computers	1	2
Amortization of lease origination costs for in-place leases incurred through acquisitions	8,212	6,731
Amortization of tenant improvements incurred through acquisitions	-	-
	<b>\$ 10,316</b>	<b>\$ 7,847</b>

### 14. Income Taxes

Alexis Nihon, of which the Cominar Acquisition Properties form part of, is an unincorporated, closed-ended investment trust created by the Contract of Trust governed by the laws of the Province of Quebec. Alexis Nihon is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Contract of Trust, Alexis Nihon will make distributions or designate all taxable income earned by Alexis Nihon to unitholders and will deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes has been made.

Alexis Nihon's subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 32%. There is no provision required for the years ended December 31, 2006 and 2005.

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 15. Investments in Co-Owned Properties

The Cominar Acquisition Properties pro-rata share of the assets and liabilities of the Co-Owned Properties as at December 31, 2006 and 2005, as well as its proportionate share in the revenues, expenses and cash flows for the years then ended are as follows:

	2006	2005 (Unaudited)
Income-producing properties	\$ 8,709	\$ 8,715
Debts on income-producing properties	3,922	4,177
Accounts payable and accrued liabilities	155	168
Revenues	1,448	1,361
Expenses	1,280	1,266
Net income	168	95
Cash flows from:		
Operating activities	521	382
Financing activities	(255)	(266)
Investing activities	(266)	(116)

### 16. Segmented Information

The segmented information is aligned to conform to Alexis Nihon's strategic business unit organization and is disaggregated among two segments: office and industrial properties.

Cominar Acquisition Properties, its subsidiaries and the Co-Owned Properties operate in the provinces of Quebec and Ontario in the above-mentioned segments.

The operating segments are managed separately because of the different types of properties, tenants and marketing strategies involved. Cominar Acquisition Properties evaluates segment performance based on net operating income which is entirely allocated amongst the segments.

Cominar Acquisition Properties utilizes the same accounting policies for its segments as those described in note 2.

2006	Office	Industrial	Total
Revenues from rental operations	\$ 46,222	\$ 26,712	\$ 72,934
Rental property operating costs	25,098	9,908	35,006
Net operating income	\$ 21,124	\$ 16,804	\$ 37,928
Income-producing properties	\$ 229,043	\$ 161,578	\$ 390,621
Intangible assets	\$ 12,965	\$ 10,661	\$ 23,626
Additions to income-producing properties	\$ 8,548	\$ 20,287	\$ 28,835
Additions to intangible assets	\$ -	\$ 3,639	\$ 3,639

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 16. Segmented Information (Cont'd)

2005 (Unaudited)	Office	Industrial	Total
Revenues from rental operations	\$ 42,354	\$ 22,053	\$ 64,407
Rental property operating costs	22,786	8,371	31,157
Net operating income	\$ 19,568	\$ 13,682	\$ 33,250
Income-producing properties	\$ 228,210	\$ 145,332	\$ 373,542
Intangible assets	\$ 16,064	\$ 12,624	\$ 28,688
Additions to income-producing properties	\$ 28,377	\$ 44,506	\$ 72,883
Additions to intangible assets	\$ 5,304	\$ 11,052	\$ 16,356

### 17. Supplemental Cash Flow Information

#### Change in Other Assets

	2006	2005 (Unaudited)
Accounts receivable	\$ 824	\$ (392)
Prepays	71	(5)
Restricted funds	(563)	168
Other	76	(98)
	\$ 408	\$ (327)

### 18. Financial Instruments

#### Credit Risk

Management reviews a new tenant's credit history before signing new leases and conducts regular reviews of its existing tenants' credit performance.

#### Interest Rate Risk

Cominar Acquisition Properties is exposed to interest rate risk on debts on income-producing properties and bank indebtedness which bear interest based on prime rates. The fair value of the debts and bank indebtedness will fluctuate as a result of changes in interest rates.

# Cominar Acquisition Properties

## Notes to Consolidated Financial Statements

### 18. Financial Instruments (Cont'd)

#### Fair Value of Financial Instruments

The fair value of the Cominar Acquisition Properties accounts receivable, restricted funds, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of the instruments.

The fair value of the debts on income-producing properties at December 31, 2006 and 2005 has been established by discounting the future cash flows using interest rates corresponding to those which the Cominar Acquisition Properties would currently be able to obtain for loans with similar maturity dates and terms. Based on these assumptions, the fair value of debts on income-producing properties at December 31, 2006 has been estimated at \$257,884 (2005 - \$227,784) compared with the carrying value of \$253,874 (2005 - \$215,000).

**CERTIFICATE OF THE REIT**

Dated: April 27, 2007

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, together with the documents incorporated herein by reference and 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) Michel Dallaire  
President 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: April 27, 2007

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, together with documents incorporated herein by reference and 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

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC.

By: (signed) Jean-Charles Angers

By: (signed) Stephen Sender

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

DESJARDINS SECURITIES INC.

By: (signed) Line Rivard

By: (signed) Mark G. Johnson

By: (signed) Jacques O. Nadeau

CANACCORD CAPITAL  
CORPORATION

GENUITY CAPITAL MARKETS G.P.

RAYMOND JAMES LTD.

By:(signed) Ronald A. Rimer

By: (signed) Marc Fredette

By: (signed) J. Graham Fell