



COMINAR REAL ESTATE INVESTMENT TRUST

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This circular is submitted in connection with the solicitation of proxies by or on behalf of management of Cominar Real Estate Investment Trust (the "**REIT**") for use at the annual meeting (the "**Meeting**") of unitholders (the "**Unitholders**") of the REIT to be held on Wednesday, May 12, 1999 in the Peribonka room at the "Reine Elizabeth" hotel, 900 Rene-Levesque Ouest boulevard, Montreal, Quebec, at 11:00 a.m. (Montreal time), and any adjournment thereof for the purposes set forth in the accompanying notice of the Meeting (the "**Notice**"). The solicitation will be made primarily by mail, but proxies may also be solicited personally or by telephone, fax or other electronic means, by the trustees of the REIT or by the transfer agent of the REIT, General Trust of Canada, members of management or other employees of the REIT. The costs of solicitation will be borne by the REIT. The information contained herein is given as of March 24, 1999, except where otherwise indicated.

Until May 21, 1999, a maximum number of 8,300,000 units are represented by instalment receipts (the "**Instalment Receipts**"). The instalment receipt holder (an "**Instalment Receipt Holder**") has all the rights and obligations of a Unitholder, including the right to vote the units of the REIT represented thereby, subject to payment of the final instalment for the units. In this circular, except where otherwise indicated, any reference to Unitholders includes Instalment Receipt Holders.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are trustees and members of management of the REIT. A Unitholder may appoint a person other than any person named in the enclosed form of proxy, to attend and act on such Unitholder's behalf at the Meeting, either by inserting such other desired proxyholder's name in the blank space provided on the form of proxy and deleting the names printed thereon or by substituting another proper form of proxy.

The proxies must be deposited with the transfer agent of the REIT, General Trust of Canada, 1100, University Street, 9th floor, Montreal, Quebec, H3B 2G7, not later than 5:00 p.m. (Montreal time), Tuesday, May 11, 1999, or if the Meeting is adjourned, on the last business day preceding the day of the Meeting. The proxies may also be delivered by hand to the president of the Meeting on the day of the Meeting or any adjournment thereof.

A Unitholder who has given a proxy pursuant to this solicitation may revoke it at any time. The proxy may be revoked by an instrument in writing executed by the Unitholder or his or her attorney duly authorized in writing; if the Unitholder is a corporation, the revocation must be signed by a member of management duly authorized in writing, or if the Unitholder is an association, by a properly duly authorized representative of the association. Proxies must be deposited at General Trust of Canada, 1100 University Street, 9th floor, Montreal, Quebec, H3B 2G7 by no later than 5:00 p.m. (Montreal time), on May 11, 1999, or if the Meeting is adjourned, on the last business day before the resumption, or be given to the president of the Meeting the day of the meeting or any adjournment thereof, and upon deposit of this revocation, the proxy is revoked.

VOTING OF UNITS

Units represented by proxies will be voted or withheld from voting as specified on any ballot that may be called for and, if the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, units represented by duly executed proxies will be voted accordingly. If no specification is made to withhold the said units from voting, a proxyholder will vote the units for a) election of the persons nominated by management as independent trustees of the REIT, and b) the appointment of auditors and the authorization of the trustees to fix the remuneration of the auditors, all as described in this circular. The trustees are not aware of any other matters to come before the Meeting, except those which are indicated in the Notice of the Meeting. However, if other matters of which the trustees are not presently aware should be submitted at the Meeting, the proxyholders designated by management will exercise, according to their judgement, the rights to vote related to units represented by proxies granted to them, with regards to these matters.

VOTING AT MEETING AND QUORUM

As of March 24, 1999, fourteen million five hundred thousand (14,500,000) units of the REIT were outstanding. Each unit entitles its holder to one vote at meetings of unitholders of the REIT. Holders of units of record at the close of business on April 2, 1999, the record date established for Notice of the Meeting, will be entitled to vote at the Meeting, or any adjournment thereof, either in person or by proxy.

Unless otherwise required by the contract of trust (the "**Contract of Trust**"), every matter coming before the Meeting or any adjournment thereof shall be decided by the majority of the votes duly cast on the matter. The quorum at the Meeting or any adjournment thereof shall consist of at least two (2) individuals present in person, each of whom is a Unitholder or a proxyholder representing a Unitholder, and who hold or represent by proxy not less than 25% of the total number of outstanding units.

PRINCIPAL UNITHOLDERS

To the knowledge of the trustees and members of the management of the REIT, no person is the owner of more than ten percent (10%) of the units, nor exercises control over such a percentage, except:

| Unitholder | Approximate number of units beneficially owned or over which control of direction is exercised | Approximate % of outstanding units |
|--|---|---|
| Cominar (senc) ⁽¹⁾ | 6,200,000 | 42.76 |
| CDS & Co. | 8,300,000 | 57.24 |
| NOTE: | | |
| (1) The units of Cominar (senc) are indirectly held by Messrs. Alain Dallaire and Michel Dallaire, members of the Dallaire family of Quebec. | | |

ELECTION OF INDEPENDENT TRUSTEES

The Contract of Trust provides that the assets and operations of the REIT should be under the control and authority of no fewer than nine (9) and a maximum of eleven (11) trustees (including the "Cominar Trustees" and the "Independent Trustees", such as defined under the heading "Corporate Governance".)

Presently, there are nine (9) trustees of the REIT. Of this number, four (4) were appointed by "Cominar Group Inc." (one of the Cominar Group's companies), namely Jules Dallaire, Michel Berthelot, Michel Dallaire and Michel Paquet, and three (3) of the Independent Trustees, namely Robert Després, Pierre Gingras and Richard Marion shall hold office as trustees, for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 1999. Consequently, only two (2) Independent Trustees, namely Yvan Caron and Ghislaine Laberge, whose respective terms expire at the closing of the annual meeting of Unitholders for the financial year ended December 31, 1998, will be nominated by management for election as Independent Trustees at the Meeting.

The persons named in the enclosed form of proxy for use at the Meeting intend to vote in favour of the election of Yvan Caron and of Ghislaine Laberge as Independent Trustees, to hold office until the closing of the annual meeting of Unitholders for the financial year ending December 31, 2000, or until their successors are duly elected or appointed in accordance with the Contract of Trust. Management does not contemplate that any of such nominees will be unable to serve as Independent Trustees but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy will vote for another nominee as management may recommend unless the Unitholder has specified in the form of proxy that his units are to be withheld from voting in the election of Independent Trustees.

The following table sets forth information with respect to the two (2) persons proposed for nomination as Independent Trustees, the names of the current trustees, all other positions and offices with the REIT currently held by them, their principal occupations as well as their occupations during the past five (5) years, the year they first became trustees of the REIT and finally, the approximate number of units they have advised are beneficially owned, directly or indirectly, by them or over which they exercise control or direction as of the date of this circular.

| Name, Municipality of residence and office | Principal occupation | Year first became a trustee | No. of units of the REIT or over which control or direction is exercised ⁽¹⁾ |
|---|--|--------------------------------------|--|
| JULES DALLAIRE Charlesbourg (Quebec) Trustee, President and Chief Executive Officer | President and Chief Executive Officer of the REIT | 1998 | --- |
| MICHEL BERTHELOT, c.a. St-Augustin de Desmaures (Quebec) Trustee, Executive Vice-President and Chief Financial Officer | Executive Vice-President and Chief Financial Officer of the REIT | 1999 | --- |
| MICHEL DALLAIRE, eng. ⁽²⁾ Beauport (Quebec) Trustee, Executive Vice-President, Operations | Executive Vice-President, Operations of the REIT | 1998 | 6,220,700 ⁽⁴⁾ |
| Me MICHEL PAQUET Sainte-Foy (Quebec) Trustee, Executive Vice-President, Legal Affairs and Secretary | Executive Vice-President, Legal Affairs and Secretary of the REIT | 1998 | 3,500 |
| YVAN CARON ⁽²⁾⁽³⁾ Quebec (Quebec) Independent Trustee | Director of «Place Desjardins inc.» | 1998 | --- |
| ROBERT DESPRÉS, o.c. ⁽²⁾ Quebec (Quebec) Independent Trustee | Chairman of the Board of «Alliance Forest Products inc.» | 1998 ⁽⁵⁾ | 10,000 |
| PIERRE GINGRAS ⁽³⁾ Ste-Pétronille Ile d'Orléans (Quebec) Independent Trustee | President of « Placements Moras inc. », director of «Impérial, Life Insurance» and Director of «Fédération des caisses populaires Desjardins de Québec» | 1998 ⁽⁵⁾ | 22,000 |
| GHISLAINE LABERGE ⁽³⁾ Verdun (Quebec) Independent Trustee | Consultant in real estate investments, Director of «Cadim inc. », «Hypothèques CDPQ inc. » and « Cadev inc. », members of the group of «Caisse de dépôt et placement du Québec» | 1998 | --- |
| RICHARD MARION Dollard-des-Ormeaux (Quebec) Independent Trustee | President of «Actigest inc.» and General Manager of «Société en commandite immobilière Solim» | 1998 ⁽⁵⁾ | --- |
| NOTES : (1) Individual trustees have furnished information as to units beneficially owned by them or over which they exercise control of direction. (2) Member of the Audit Committee. (3) Member of Compensation and Governance Committee. (4) Comprises 6,200,000 units of the REIT which are beneficially owned by Cominar (senc). The Cominar (senc) units are indirectly held by Messrs. Alain Dallaire and Michel Dallaire, members of the Dallaire family of Quebec. (5) Will hold office as trustees for a term ending at the close of the annual meeting of Unitholders for the financial year ending December 31, 1999. | | | |

All of the trustees named in the table have been engaged in their principal occupations for at least five (5) years, except for (i) Michel Berthelot who, since January, 1997 has been President of "Michel Berthelot and Associates inc." and before 1997, was Vice-President and General Manager of "Forkem" inc." (a manufacturer and distributor of industrial and commercial sanitary products).

The management and the trustees of the REIT beneficially held collectively (5 persons), 48,200 units or had control over 6,200,000 units, representing approximately 43% of the outstanding units as of December 31, 1998.

REMUNERATION OF TRUSTEES

A person who is employed by and receives a salary from the REIT does not receive any remuneration from the REIT for serving as a trustee. Trustees who are not so employed will receive an annual remuneration of eight thousand dollars (\$8,000), and five hundred dollars (\$500.00) per meeting of the board of trustees attended. In addition, during the course of the financial year, each Independent Trustee who was a member of the audit committee received \$500 for each meeting attended. Each trustee is entitled to the reimbursement of his out-of-pocket expenses incurred in attending the meetings of the board of trustees. For the financial year ended December 31, 1998, the total remuneration paid by the REIT to trustees in compensation for their services as trustees was \$42,530.00. In the course of the same financial year, each member of the board of trustees except one, received options subject to the purchase of 21,000 units. The Contract of Trust stipulates that, at all times, there should be at least one trustee who is not, directly or indirectly, a Unitholder or a person holding an option to acquire units.

TRUSTEES' LIABILITY INSURANCE

The REIT purchased an insurance which covers trustees' and officers' liability for five million dollars (\$5,000,000) for a period of one (1) year expiring May 1, 1999, for an annual premium of seventeen thousand five hundred dollars (\$17,500). The premium was paid entirely by the REIT and has not been allocated among the insured. The REIT retains a risk of ten thousand dollars (\$10,000) per loss on its coverage. As of this date, no claim has ever been presented or paid under such policy.

COMPENSATION OF OFFICERS

The following table is a statement of the compensation of the President and Chief Executive Officer who is the only officer of the REIT whose total salary and bonus exceeded \$100,000 for the financial year ended December 31, 1998.

| NAME | ANNUAL COMPENSATION | | | | LONG TERM COMPENSATION | | |
|---|---------------------|----------------|---------------|-------------------------------|------------------------|----------------------|-----------------------|
| | Year | Salary (\$) | Bonus (\$) | Other Compensation (\$) | Options Granted | Options Collected | Other compensation |
| JULES DALLAIRE President and Chief Executive Officer | 1998 | 97,910 (1) | 75,000 (1) | --- | 21,000 | --- | --- |
| NOTE : | | | | | | | |
| (1) The amounts under the heading "Annual Compensation" for 1998 correspond to the compensation paid from May 21, 1998 to December 31, 1998 by "Les Services Administratifs Cominar Inc." a wholly-owned subsidiary of the REIT, and that paid from January 1, 1998 to May 20, 1998 by companies related to Cominar, defined below. | | | | | | | |

MANAGEMENT OF THE REIT

Entirely Integrated Real Estate Investment Trust

The REIT operates as an entirely integrated real estate investment trust which is not subject to management contracts with a third party. The REIT, therefore, need not pay real estate management fees.

In the opinion of the REIT, this structure reduces risks of conflict of interest between management and the REIT. The REIT is of the view that the adoption of an entirely integrated management structure allows the harmonization of the interests of management and employees with those of Unitholders. The REIT may therefore take advantage of the experience and competence of the officers and employees who were employed by Cominar until the date of the closing of the initial public offering of the REIT and the acquisition by the REIT of the Cominar real estate portfolio, on May 21, 1998.

Non-Competition Agreement

The REIT has entered into a non-competition agreement with the corporations and partnerships comprising the Cominar Group and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire pursuant to the terms of which they have agreed to certain restrictions aiming to limit some of their activities and those of their spouses in the real estate sector, more particularly investing in office, commercial, industrial or mixed use properties, unless the investment is first offered to the REIT in accordance with the terms of the non-competition agreement.

UNIT OPTION PLAN

On May 21, 1998, the REIT adopted a unit option plan (the "**Unit Option Plan**"). Participation in the Unit Option Plan is restricted to (i) trustees, officers or employees of the REIT or its subsidiary (an "**eligible person**"), (ii) to a corporation controlled by an eligible person holding, directly or indirectly, the issued and outstanding voting shares and/or the spouse, minor children and/or minor grandchildren, or (iii) a family trust of which the sole trustee is an eligible person and the beneficiary(ies) are an eligible person or a combination of those constituting an eligible person and/or their spouse, minor children and/or minor grandchildren.

The granting of options is made by the trustees. The options have a maximum term of 5 years and are exercisable at a price not less than the fair market value of the units at the time of grant. The options are exercisable in respect of 33 1/3% of the units subject to such options after each anniversary of the granting of such options. The maximum number of units reserved for issuance pursuant to the Unit Option Plan is currently 1,450,000 units. In the financial year ended December 31, 1998, the REIT granted to ten (10) persons, a total of 210,000 options being 21,000 per person, each option conferring upon the holder thereof the right to acquire one unit at an exercise price of \$10.10 per unit, exercisable on a cumulative basis, as to up to 7,000 options per year, of which 189,000 options are currently outstanding. At the close of the financial year ended December 31, 1998, 1,240,000 options were available for issuance under the terms of the Unit Option Plan.

The following table provides information with regard to the granting of options to the named executive officer during the year ended December 31, 1998.

| NAME | SECURITIES UNDER OPTIONS GRANTED | % OF TOTAL OPTIONS GRANTED IN FINANCIAL YEAR 1998 | EXERCISE OR BASE PRICE (\$/Security) | MARKET VALUE OF SECURITIES UNDERLYING OPTIONS ON THE DATE OF GRANT | EXPIRATION DATE |
|--|----------------------------------|---|--------------------------------------|--|-----------------|
| Jules Dallaire | 21,000 | 12.5% | \$10.10 | \$6.10 (1) | May 29, 2003 |
| NOTE : | | | | | |
| (1) On May 21, 1998, the REIT issued 8,300,000 Instalment Receipts at a price of \$10.00 per unit, payable in instalments; that is \$6.00 paid at the closing and, at the balance, \$4.00 on May 21, 1999. | | | | | |

CORPORATE GOVERNANCE

The trustees of the REIT believe that sound governance practices are essential to the proper functioning of the REIT and the well-being of its unitholders, and that these practices should be reviewed regularly to ensure that they are appropriate. The governance practices of the REIT are described below.

In this Circular, the term "Independent Trustee" has the meaning given in the Contract of Trust, namely (i) that he is not a member of the Dallaire family, nor an associate, a director, an officer or employee of a corporation or a partnership comprising Cominar, or an affiliate, (ii) that he is not related (as defined in the "Toronto Stock Exchange" guidelines on corporate governance) to Cominar, (iii) that he is not a "related person" (within the meaning of the "Tax Act") in relation to Cominar or to any member of the Dallaire family, (iv) that he 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), Cominar 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 above criteria. The term "Cominar Trustee" has the meaning given in the Contract of Trust, namely, is a nominee of Cominar, appointed as trustee. In this circular, the term "Cominar" means collectively "Immeubles Cominar Inc." and "Société en commandite Cominar" which are controlled by members of the Dallaire family and "Société en nom collectif Cominar", which is controlled by companies which are themselves controlled by members of the Dallaire family, or one or several of them according to the context.

Mandate of the Trustees

The mandate of the trustees is to supervise the management of the business and affairs of the REIT in accordance with the Contract of Trust and to act in the best interests of the REIT.

Trustee Composition

The Contract of Trust provides that there shall be no fewer than nine (9) nor more than eleven (11) trustees. The initial number of trustees has been set at nine (9). Cominar is entitled to appoint four (4) Cominar Trustees, as long as the percentage of units held by Cominar represents at least 10% of the units then outstanding. Independent Trustees are to be elected by a resolution passed by a majority of the votes cast at a meeting of the Unitholders. The terms of the Independent Trustees are spread out over a two year period. A majority of trustees must be Independent Trustees, Canadian residents and possess at least five (5) years of substantial experience in the real estate industry. The Independent Trustees are Yvan Caron, Robert Després, Pierre Gingras, Ghislaine Laberge and Richard Marion.

Independent Trustee Matters

According to the terms of the Contract of Trust, all independent trustee matters must be approved solely by the majority of Independent Trustees. Independent trustee matters include all decisions: i) to enter into arrangements in which Cominar 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 Cominar, any member of the Dallaire Family or any affiliate or associate of any of the foregoing or in which the interest of one of the foregoing differs from the interests of the REIT.

Cominar Trustees

Pursuant to the Contract of Trust, "Groupe Cominar Inc." (a member of the Cominar group), on behalf of Cominar, has the right to appoint four (4) Trustees insofar as the units which Cominar holds represent at least ten percent (10%) of the units then outstanding.

The REIT has set up three (3) committees to aid it in the exercise of its functions.

Investment Committee

The Contract of Trust provides that the trustees may, subject to applicable law, from time to time appoint from among their number an Investment Committee consisting of at least three trustees. At least two-thirds of the members of the Investment Committee must have had at least five (5) years substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be Independent Trustees and one member must be a Cominar Trustee (for so long as Cominar owns at least ten percent (10%) of units then outstanding).

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

Audit Committee

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

Compensation and Governance Committee

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

Communication with Unitholders

The President and Chief Executive Officer of the REIT is the highest ranking officer of the REIT responsible for communication with Unitholders on matters concerning the REIT; however, the trustees recognize the importance of maintaining effective communication with unitholders and, to this end, review the annual report, the management's analysis of the financial situation and operating results, the management proxy information circular, the annual information form, the quarterly financial statements and the press releases on important events before they are distributed.

Employment Agreements

The REIT entered into an employment agreement effective as of May 21, 1998 with Mr. Jules Dallaire who is the President and Chief Executive Officer. Under this agreement, Mr. Dallaire is entitled to receive an annual base salary of \$125,000 (reviewable annually) and has the right to options allowing him to acquire up to 5% of the outstanding units of the REIT pursuant to the Unit Option Plan. In addition to the foregoing compensation, Mr. Dallaire is entitled to a bonus determined by the Compensation and Governance Committee.

On May 21, 1998, the REIT entered into an employment agreement with Mr. Michel Dallaire, the Executive Vice-President, Operations. The terms of this contract are the same as that of Mr. Jules Dallaire, with the exception of the base salary of \$87,000 (reviewable annually).

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Apart from the information provided in this circular or in the consolidated financial statements for the financial year ended December 31, 1998, the REIT has no knowledge of any material interest of a trustee or of a current or proposed member of management in any operation since its creation, March 31, 1998, or in a projected operation that could affect or will affect it considerably.

During the financial year ended December 31, 1998, the REIT concluded operations with related companies. The REIT registered leasing revenues of \$212,000 from the companies "Dalcon Inc.", "9027-5847 Québec Inc." and "9027-2345 Québec Inc.". The REIT incurred \$447,000 in interest expenses related to a loan of \$16,600,000 contracted from "Immeubles Cominar Inc." and guaranteed by the rights and entitlements of the REIT on the second instalment and by the pledge of the receipt units. This loan will be reimbursed on May 21, 1999 from the proceeds generated from the reimbursement of receipt units. The REIT spent \$1,669,000 for the realization of tenant improvements for its tenants made on its behalf by "Dalcon Inc.".

Messrs. Jules Dallaire, Michel Dallaire and Michel Paquet, all three trustees or members of REIT management, are officers of these companies.

APPOINTMENT OF AUDITORS

The trustees propose to nominate "PricewaterhouseCoopers, LLP", chartered accountants, the present auditors, as auditors for the REIT, to hold office until the close of the next annual meeting of Unitholders. "PricewaterhouseCoopers, LLP" have been the auditors of the REIT since the REIT's inception.

Unless such authority is withheld, persons named in the accompanying form of proxy intend to vote for the re-appointment of "PricewaterhouseCoopers, LLP" as the auditors of the REIT to hold office until the closing of the next annual meeting of Unitholders and to authorize the trustees of the REIT to fix the remuneration of the auditors.

APPROVAL OF UNITHOLDERS

Each matter that must be presented at the Meeting, will only come into effect if it is approved by a majority of the votes cast by the Unitholders of the REIT called to vote.

GENERAL

The consolidated financial statements of the REIT for the financial year ended December 31, 1998, together with the report of the auditors thereon, will be sent to the Unitholders before the Meeting where they will be presented and discussed if necessary.

It is also possible, by addressing a written request to the Secretary of the REIT, to obtain at no cost, copies of this circular and the annual report of the REIT containing its audited consolidated financial statements for the financial year ended December 31, 1998.

TRUSTEES' APPROVAL

The contents and the sending of this circular have been approved by the board of trustees of the REIT.

DATED as of the 24th day of March, 1999 in Quebec, Quebec.

BY ORDER OF THE TRUSTEES

Michel Paquet
Secretary of Cominar Real Estate
Investment Trust