



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

### SOLICITATION OF PROXIES

This management proxy circular (the "Circular") is furnished 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 holders of units ("Units") of the REIT (the "Unitholders") to be held on Tuesday, May 10, 2005 in the Salon Amboise Valencay of the Palace Royal Hotel, 775, Honoré Mercier Avenue, Quebec, Québec, at 11:00 a.m. (Quebec time), and any adjournment thereof for the purposes set forth in the accompanying notice of the Meeting (the "Notice"). It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone, fax or other electronic means, by the trustees of the REIT (the "Trustees"), officers or other employees of the REIT. The costs of solicitation if any, will be borne by the REIT. Except as otherwise stated, the information contained herein is given as of March 16, 2005.

Enclosed with this Circular and the attached Notice is a copy of the 2004 Annual Report of the REIT which contains the REIT's audited financial statements and management's discussion and analysis for the financial year ended December 31, 2004 and a form of proxy for use in connection with the Meeting.

### NON-REGISTERED HOLDERS

The information set forth in this section is important to the many Unitholders who do not hold Units of the REIT in their own names (the "**Non-Registered Holders**"). Non-Registered Holders should note that only proxies deposited by Unitholders whose names appear on the records of the REIT as the registered holders of Units can be recognized and acted upon at the Meeting. However, in many cases, Units beneficially owned by a Non-Registered Holder are registered either:

- a. In the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Units, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- b. In the name of a clearing agency (such as The Canadian Depository for Securities Limited or "**CDS**") of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the REIT has distributed copies of the notice of Meeting, this Circular, the form of proxy and the 2004 Annual Report (collectively, the "**Meeting Materials**") to the clearing agencies and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the Meeting Materials will either:



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- a) Be given a proxy which is signed by the Intermediary (typically by a facsimile, stamped signature) and already sets forth the number of Units beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. The Non-Registered Holder who wishes to submit a proxy should properly complete the form of proxy and deposit it with National Bank Trust Inc. as described above;
- b) More typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form received by the Non-Registered Holder.

The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation ("**ADP**", formerly Independent Investor Communications Corporation). ADP typically mails a proxy form to the Non-Registered Holders and asks Non-Registered Holders to return the proxy form to ADP (the ADP form also allows completion of the voting instructions form by telephone). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at a Unitholders' meeting. A Non-Registered Holder receiving a proxy form from ADP cannot use that proxy to vote Units directly at the Meeting. The proxy must be returned to ADP well in advance of the Meeting in order to have the Units voted.

Units held by brokers or their agents or nominees can be voted for or against resolutions only upon the instructions of the Non-Registered Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Units for the brokers' clients. The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Units they beneficially own.

Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided, or, in the case of a voting instruction form, follow the corresponding directions on the form. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies and ensure that instructions respecting the voting of their Units are communicated to the appropriate person.

### APPOINTMENT AND REVOCATION OF PROXIES

If it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy enclosed. The proxy must be executed by the Unitholder or the attorney of such Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with the REIT's transfer agent, National Bank Trust Inc., 1100 University street, 9<sup>th</sup> floor, Montreal, Québec, H3B 2G7, or at the head office of the REIT, 455 Marais street, Vanier, Québec, G1M 3A2, no later than 2:00 p.m. (Quebec time), Monday, May 9, 2005 or, if the Meeting is adjourned, the last business day preceding the day of any adjournment thereof.



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**The persons named in the enclosed form of proxy are Trustees and officers of the REIT. A Unitholder may appoint a proxyholder other than any person designated in the 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 space provided on the form of proxy and deleting the names printed thereon or by substituting another form of proxy.**

A proxy given by a Unitholder for use at the Meeting may be revoked at any time prior to its use. A proxy may be revoked by an instrument in writing executed by the Unitholder or by his or her attorney in writing; if the Unitholder is a corporation, the revocation must be executed by an officer duly authorized in writing or, if the Unitholder is an association, by an attorney duly authorized in writing, and deposited with the REIT's transfer agent at any time up to and including the last business day preceding the Meeting or any adjournment thereof at which the proxy is to be used or with the chairman of the Meeting on the date of the Meeting or any adjournment thereof, and upon either of such deposits, the proxy will be 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 properly executed proxies will be voted accordingly. **In the absence of any direction to the contrary, a proxyholder will vote the Units IN FAVOUR of: (i) the election of two nominees of the management as Independent Trustees (as hereinafter defined), and (ii) the appointment of the auditors of the REIT and the authorization of the Trustees to fix their remuneration, all as described in this Circular. If a choice to the contrary is not specified by a Unitholder, such Units will be voted in favour of such matters.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting. The Trustees know of no matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if any other matters which are not known to the Trustees should properly come before the Meeting, the Units represented by proxies will be voted on such matters in accordance with the best judgement of the proxyholder.

### VOTING AT MEETING AND QUORUM

On March 7, 2005, 32,485,404 Units were issued and outstanding. Each Unit entitles its holder to one vote at meetings of Unitholders. Only Unitholders of record at the close of business on March 16, 2005, the record date established for the Meeting, will be entitled to vote at the Meeting, or any adjournment thereof, either in person or by proxy. However, to the extent that a person transfers the ownership of any Units after that date and the transferee of those Units produces properly endorsed Unit certificates or otherwise establishes that it owns the Units and demands, no later than ten days before the Meeting, that its name be included in the list of Unitholders to vote at the Meeting, the transferee will be entitled to vote such Units at the Meeting or any adjournment thereof.



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Unless otherwise required in the Contract of Trust governing the affairs of the REIT dated March 31, 1998, as amended, supplemented or restated from time to time (the "**Contract of Trust**"), every question coming before the Meeting or any adjournment thereof shall be decided by the majority of the votes duly cast. The quorum at the Meeting or any adjournment thereof shall consist of at least two 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 HOLDERS OF UNITS

To the knowledge of the Trustees and officers of the REIT, there is no beneficial owner of, nor any person who exercises control or direction over Units carrying 10% or more of the votes attached to the outstanding Units, other than:

Unitholder	Number of Units beneficially owned or over which control or direction is exercised	Percentage of outstanding Units
AM Total Investments, general partnership <sup>(1)</sup>	6,807,400	21%
CDS & Co.	25,678,004	79%

**NOTE:**

- (1) The Units held by AM Total Investments, general partnership, formerly known as Cominar general partnership, are indirectly held by Michel Dallaire, Alain Dallaire, Sylvie Dallaire and Linda Dallaire, being the children of Jules Dallaire.

### ELECTION OF INDEPENDENT TRUSTEES

The Contract of Trust provides that the assets and operations of the REIT will be subject to the control and authority of a minimum of nine and a maximum of eleven Trustees (including the AM Total Investments Trustees and the Independent Trustees, as such terms are defined under the heading "Governance Practices").

Presently, there are nine Trustees of the REIT. Of this number, pursuant to the Contract of Trust, four were appointed by Corporation Financière Alpha (CFA) Inc. (a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc.), on behalf of AM Total Investments, general partnership. These Trustees are Jules Dallaire, Michel Dallaire, Michel Berthelot and Michel Paquet. Three of the Independent Trustees, namely Robert Després, Pierre Gingras and Richard Marion shall hold office for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 2005. Consequently, two Independent Trustees, namely Yvan Caron and Ghislaine Laberge, whose respective terms expire at the close of the Meeting are hereby nominated by management for election as Independent Trustees at the Meeting.



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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 Ghislaine Laberge as Independent Trustees, to hold office until the close of the annual meeting of Unitholders for the financial year ending December 31, 2006, or until their successors are duly elected or appointed in accordance with the Contract of Trust, unless the Unitholder who has given the proxy has directed that the Units represented thereby be withheld from voting. 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 the Units represented thereby be withheld from voting on the election of Independent Trustees.

The following table sets forth certain information with respect to the two nominees for election at the Meeting as Independent Trustees, the names of each current Trustee, all other positions and offices within the REIT currently held by them, their principal occupations and their employment during the last five years, the period during which each served as a Trustee of the REIT and the approximate number of Units they have advised are beneficially owned, directly or indirectly, by them or over which they exercise control or direction as at March 7, 2005.

Name, Municipality of residence And office	Principal occupation	Period during which served as a Trustee	Number of Units beneficially owned or over which control or direction is exercised <sup>(1)</sup>
<b>Jules Dallaire</b> Québec (arrondissement Charlesbourg) (Québec) AM Total Investments Trustee, President and Chief Executive Officer of the REIT	Chairman, President and Chief Executive Officer of the REIT	1998-2005	398,600 <sup>(5)</sup>
<b>Michel Dallaire, eng.</b> Québec (arrondissement Beauport) (Québec) AM Total Investments Trustee, President and Chief Operating Officer of the REIT	President and Chief Operating Officer	1998-2005	6,891,166 <sup>(6)</sup>
<b>Michel Berthelot, c.a.</b> Québec (arrondissement Laurentien) (Québec) AM Total Investments Trustee, Executive Vice- President and Chief Financial Officer of the REIT	Executive Vice-President and Chief Financial Officer of the REIT	1999-2005	5,469
<b>Me Michel Paquet</b> Québec (arrondissement Sainte-Foy-Sillery) (Québec) AM Total Investments Trustee, Executive Vice- President, Legal Affairs and Secretary of the REIT	Executive Vice-President, Legal Affairs and Secretary of the REIT	1998-2005	12,318
<b>Yvan Caron</b> <sup>(2)(3)</sup> Québec (arrondissement Limoilou) (Québec) Independent Trustee	Consultant	1998-2005	Nil
<b>Robert Després, O.C., G.O.Q.</b> <sup>(2)</sup> Québec (arrondissement de la Cité) (Québec) Independent Trustee	Director of various companies	1998-2005 <sup>(4)</sup>	16,500
<b>Pierre Gingras</b> <sup>(2)(3)</sup> Ste-Pétronille, Ile d'Orléans (Québec) Independent Trustee	President of Placements Moras inc., a personal holding company, director of Desjardins Sécurité Financière, a life assurance company and director of Reliure Sélect Inc., a thermoplastic- binding company	1998-2005 <sup>(4)</sup>	90,083 <sup>(7)</sup>
<b>Ghislaine Laberge</b> <sup>(3)</sup> Montréal (arrondissement Verdun) (Québec) Independent Trustee	Consultant in real estate investments, director of CDP Capital – Real Estate Advisory and CDP Capital - Mortgages, members of the group of the Caisse de dépôt et placement du Québec	1998-2005	Nil
<b>Richard Marion</b> Montréal (arrondissement Ville-Marie) (Québec) Independent Trustee	President of Actigest inc., a personal holding company, partner of Capital Groupe Conseil Inc., an asset and finance management company	1998-2005 <sup>(4)</sup>	2,000



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### NOTES :

- (1) Individual Trustees have furnished information as to the Units beneficially owned by them or over which they exercise control or direction.
  - (2) Member of the Audit Committee.
  - (3) Member of Compensation and Governance Committee.
  - (4) Will hold office as an Independent Trustee for a term expiring at the close of the annual meeting of Unitholders for the financial year ending December 31, 2005.
  - (5) Comprises 41,600 Units held by Corporation Financière Alpha (CFA) Inc., a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc.
  - (6) Comprises 41,600 Units held by Corporation Financière Alpha (CFA) Inc., a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc.) and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc. and 6,807,400 Units held by AM Total Investments, general partnership (formerly known as Cominar, general partnership). The Units held by AM Total Investments, general partnership, are indirectly held by Michel Dallaire, Alain Dallaire, Sylvie Dallaire and Linda Dallaire, being the children of Jules Dallaire.
  - (7) Comprises 14,083 Units held by Placements Moras inc.
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Each of the Trustees listed above has held his or her principal occupation for the five preceding years, except for Richard Marion who from August 1996 to April 2004, was President and General Manager of Société en commandite immobilière Solim, a fund investing in real estate development.

As at March 16, 2005, management of the REIT and the Trustees as a group (13 persons), owned beneficially, or exercised control or direction over 7,406,934 Units, or approximately 22.8% of the issued and outstanding Units.

### CEASE TRADE ORDERS AND BANKRUPTCIES

To the knowledge of the Trustees and officers of the REIT, no one of the proposed Independent Trustee:

- a) is, as at the date of this information circular or has been, within the 10 years before the date of this information circular, a director or executive officer of any company, that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or



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- b) has, within the 10 years before the date of this information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

### 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 were not so employed received remuneration in the amount of \$8,000 per annum and an additional \$500 for each meeting of Trustees attended by the Trustee. Each Independent Trustee, as members of the Audit Committee and/or the Compensation and Governance Committee, receives \$500 for each meeting attended. In all cases, Trustees are entitled to reimbursement from the REIT of their out-of-pocket expenses incurred in acting as a Trustee. During the financial year ended December 31, 2004, the aggregate remuneration paid by the REIT to the Trustees for their services in their capacity as Trustees was \$63,016.

In the financial year ended December 31, 2004, no option to purchase Units of the REIT were granted to any Trustees as defined herein under the Unit Option Plan. The Contract of Trust provides that, at all relevant times, it is intended that at least one Trustee will not be, directly or indirectly, a Unitholder or a person who owns an option to acquire Units. Consequently, Yvan Caron has agreed not to and does not hold, directly or indirectly, any Units or options to acquire Units.

### TRUSTEES' AND OFFICERS' LIABILITY INSURANCE

The REIT has entered into indemnification agreements with each of its Trustees. It has also purchased insurance, which covers Trustees' and officers' liability for \$5,000,000 for a period of one year expiring on December 31, 2005, for an annual premium of \$49,791. The premium was paid entirely by the REIT and has not been allocated among the insured. The deductible of \$10,000 per loss is assumed by the REIT. As at March 16, 2005, no claim has ever been presented or paid under such policy.

### CODE OF ETHICS AND BUSINESS CONDUCT

The Board of Trustees has adopted a Code of Ethics and Business Conduct which applies to Trustees and to all REIT employees, including the individuals bound by contract or otherwise to the REIT.

### SUMMARY COMPENSATION TABLE

The following table shows the compensation of the President and Chief Executive Officer and the Executive Vice-president and Chief Financial Officer of the REIT (the "**Named Executive Officers**"). No other Executive Officer of the REIT earned total salary and bonuses in excess of \$150,000 for the financial year ended December 31, 2004.



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	ANNUAL COMPENSATION <sup>(1)</sup>				LONG TERM COMPENSATION	ALL OTHER COMPENSATION
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Units under options granted	(\$)
Jules Dallaire President and Chief Executive Officer	2004	0 <sup>(2)</sup>	Nil	Nil	Nil	Nil
	2003	144,206	Nil	Nil	Nil	Nil
	2002	140,006	Nil	Nil	Nil	Nil
Michel Berthelot Executive Vice-president and Chief Financial Officer	2004	101,061	Nil	Nil	Nil	Nil
	2003	95,316	Nil	Nil	75,000	Nil
	2002	90,889	Nil	Nil	Nil	Nil

### NOTES :

- (1) Amounts disclosed under the heading Annual Compensation for 2004, 2003 and 2002 correspond to the compensation paid by Les Services Administratifs Cominar Inc., a wholly-owned subsidiary of the REIT.
- (2) Mr. Jules Dallaire has waived his rights to any base salary for the year ended December 31, 2004 only.

Except for the Unit Option Plan, the REIT does not have a long-term incentive plan or pension plan, and has never granted Unit appreciation rights to any of its Trustees, officers and employees.

### UNIT OPTION PLAN

On May 21, 1998, the REIT adopted the Unit Option Plan which was amended and restated on May 15, 2001, November 13, 2003 and on May 11, 2004. Participation in the Unit Option Plan is restricted to an "**Eligible Person**", which means: (i) a Trustee, officer or employee of the REIT or any subsidiary of the REIT (an "**Eligible Individual**"), (ii) a corporation controlled by an Eligible Individual the issued and outstanding voting Units of which are, and will continue to be, beneficially owned, directly or indirectly, by such Eligible Individual and/or the spouse, minor children and/or minor grandchildren of such Eligible Individual, or (iii) a family trust of which the sole Trustee is an Eligible Individual and the beneficiary(ies) are any one or combination of such Eligible Individual and/or the spouse, minor children, and/or minor grandchildren of such Eligible Individual. The granting of options is made by the Trustees. The options have a term not exceeding seven years, and in no event, may the term of any option exceed ten years from the date of grant of the option. The options are exercisable at a price not less than the fair market value on the trading day immediately preceding the date of the grant of the option. The options shall become exercisable in respect of 20% on a cumulative basis after the first, second, third, fourth and fifth anniversary of the granting of such option.

During the financial year ended December 31, 2004, no option to purchase Units of the REIT were granted to any Eligible Person under the Unit Option Plan.





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The following table summarizes for the Named Executive Officers, the number of options, if any, exercised during the financial year ended December 31, 2004, the aggregate value realized upon exercise and the total number of unexercised options, if any, held as at December 31, 2004. Value realized upon exercise is the difference between the market value of the underlying units on the exercise date and the exercise or base price of the option. The value of an unexercised in-the-money option at financial year-end is the difference between its exercise or base price and the market value of the Units of the REIT on December 31, 2004. These values, unlike the amounts set forth in the column "Aggregate Value Realized" have not been, and may never be, realized. These options have not been, and may not be exercised, and actual gains, if any, on exercise will depend on the value of the REIT's Units on the date of exercise. There can be no assurance that these values will be realized.

UNIT OPTION PLAN - OPTION EXERCISES DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2004 AND THE FINANCIAL YEAR END OPTION VALUES				
NAME	SECURITIES ACQUIRED ON EXERCISE  (#)	AGGREGATE VALUE REALIZED  (\$)	UNEXERCISED OPTIONS AS AT DECEMBER 31, 2004 (#) EXERCISABLE / UNEXERCISABLE	VALUE OF UNEXERCISED IN THE MONEY OPTIONS AS AT DECEMBER 31, 2004 (\$) EXERCISABLE / UNEXERCISABLE <sup>(1)</sup>
Jules Dallaire	69,000	416,070	0 / 0	0 / 0
Michel Berthelot	0	0	75,000 / 75,000	48,000 / 192,000

(1) Based on the closing price of the Units on the Toronto Stock Exchange on December 31, 2004 of \$17.20 per unit.

## EMPLOYMENT CONTRACT

The REIT entered into an employment agreement effective as of May 21, 1998 with Jules Dallaire, the President and Chief Executive Officer of the REIT. Under this agreement, Mr. Dallaire is entitled to receive an annual base salary of \$125,000 (reviewable annually) and is entitled to be granted options pursuant to the Unit Option Plan. In addition to the foregoing compensation, Mr. Dallaire is entitled to participate in any benefit plan of the REIT made available from time to time. Mr. Dallaire has waived his rights to any base salary for the year ended December 31, 2004 only.

## REPORT ON EXECUTIVE COMPENSATION

### Composition of the Compensation and Governance Committee

For the financial year ended December 31, 2004, the Compensation and Governance Committee (the "**Committee**") consisted of three Trustees, namely Yvan Caron (president), Pierre Gingras and Ghislaine Laberge, all of whom are Independent Trustees and Unrelated Trustees within the meaning of the TSX Guidelines (as hereinafter defined).



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### **Mandate of the Committee**

The Committee is entrusted with examining matters related to the level and nature of compensation payable to executive officers, including that of the Chairman and the President and Chief Executive Officer and the Executive and Chief Financial Officer of the REIT whose compensations are set forth under "Summary Compensation Table". The Committee also makes recommendations to the Trustees with regard to annual bonus levels and grants of options under the Unit Option Plan. The Committee also examines annually succession plans for the positions of Chairman, President and Chief Executive Officer and other executive officers of the REIT. The Committee is responsible for examining the terms and conditions of compensation, which includes three components: base salary, annual bonus, long-term incentive and the Employee Unit Purchase Plan.

### **Base salary**

Base salaries are established at levels that are meant to be competitive with other entities similar and of comparable size to the REIT in the Greater Québec City Area. Base salaries are determined following an assessment of each executive officer's individual past performance, experience and level of responsibility within the REIT. Base salaries are reviewed annually by the Committee.

### **Annual bonus**

The annual bonus is based on the REIT's financial results as well as on the achievement of the strategic objectives of the REIT. Such objectives are established at the beginning of each year. The bonuses are reviewed annually by the Committee.

### **Long-term Incentive**

Long-term incentives are provided through the grant of options pursuant to the Unit Option Plan. The granting of options to Eligible Persons is based on the recommendations of the Committee. The Committee is of the view that the grant of options is a financial incentive to enhance Unitholder value by providing participants with a form of compensation which is tied to increases in the market value of the Units.

The members of the Compensation and Governance Committee, whose names are set out below, have approved the foregoing and its inclusion in this Circular.

Yvan Caron  
Pierre Gingras  
Ghislaine Laberge



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### SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATION PLANS

The following table shows the number of Units to be issued upon the exercise of outstanding options, the weighted average exercise price of such outstanding options and the number of Units remaining for future issuance under the Unit Option Plan.

Plan Category	Number of Units to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Units remaining available for future issuance under the Unit Option Plan (excluding Units reflected in the first column)
	(a)	(b)	(c)
Equity compensation plans approved by securityholders	2,563,000	\$13.86	202,667
Equity compensation plans not approved by securityholders	0	0	0
Total	2,563,000	\$13.86	202,667

### INDEBTEDNESS OF TRUSTEES, EXECUTIVE OFFICERS AND SENIOR OFFICERS

As at the date of this Circular and during the year ended December 31, 2004, no Trustee, proposed nominee for election as Trustee or executive officer of the REIT was indebted to the REIT or any of its subsidiaries.

### GOVERNANCE PRACTICES

The Board of Trustees believes that sound governance practices are essential to the functioning of the REIT and to its Unitholders, and that these practices should be reviewed regularly to ensure that they are appropriate. A detailed comparison of the REIT's governance practices with the guidelines (the "**TSX Guidelines**") adopted by the TSX can be found in Schedule "A" to this Circular.

The Board of Trustees has reviewed the corporate governance proposals made by the Canadian Securities Administrators. These proposals are not yet in force. As the proposals become effective, the Board of Trustees will review and amend, where necessary and appropriate, the corporate governance practices of the REIT and the eligibility of Trustees on each committee of Trustees of the REIT and shall, if necessary and to the extent possible, make the changes the Board of Trustees deems appropriate.



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In this Circular, the term "**Independent Trustee**" has the meaning given in the Contract of Trust, namely a Trustee (i) who is not a member of the Dallaire Family (as defined below), or an associate, director, officer or employee of a corporation or partnership comprising the Dallaire Group (as defined below) or an affiliate thereof, (ii) who is not related (as defined in the TSX Guidelines) to the Dallaire Group, (iii) who is not a person who is a "related person" (within the meaning of the *Income Tax Act* (Canada)) 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 thereof, 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 a Trustee, that he meets the foregoing criteria.

In this Circular, the expression "**Unrelated Trustee**" has the corresponding meaning given to the term "**unrelated director**" in the TSX Guidelines.

In this Circular, the expression "**Dallaire Family**" means Jules Dallaire, his wife, their children and the spouses of such children.

In this Circular, the expression "**Dallaire Group**" includes AM Total Investments, general partnership, Corporation Financière Alpha (CFA) Inc. and Société en Commandite Alpha-Québec.

In this Circular, the expression "**AM Total Investments Trustee**" has the meaning given to the expression "Cominar Trustee" in the Contract of Trust, namely, a nominee appointed as Trustee by Corporation Financière Alpha (CFA) Inc. (a corporation resulting from the amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) Inc. (formerly known as Groupe Cominar Inc. and the subsequent amalgamation of Corporation Financière Alpha (CFA) Inc. and Groupe Financier Alpha (GFA) 2001 Inc.) on behalf of AM Total Investments, general partnership.

### **Entirely Integrated Real Estate Investment Trust**

The REIT operates as a fully integrated real estate investment trust, which is not subject to any third party management contracts.

In the opinion of the REIT, this structure reduces the potential for conflict between the interests of management and the REIT. The REIT also believes that adopting a fully internalized management structure favours the harmonization of the interests of management and employees with those of Unitholders.

### **PERFORMANCE GRAPH**

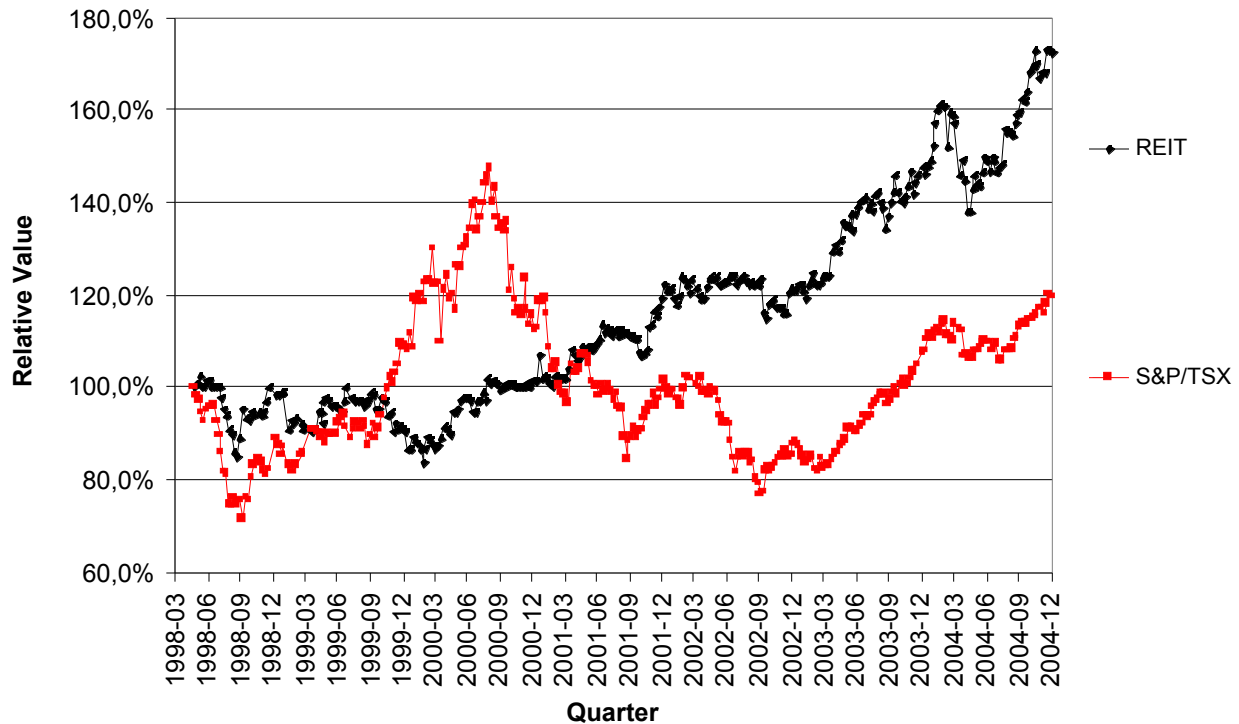
The following performance graph compares as at the end of each quarter up to December 31, 2004, the REIT's total return to Unitholders in comparison with the total cumulative return of the S&P/TSX Composite Index of the TSX.



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

Comparison of Cumulative Total Return



### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Apart from the information provided in this Circular or in the consolidated audited financial statements of the REIT for the financial year ended December 31, 2004 and since January 1, 2005, the REIT has no knowledge of any material interest of a Trustee or of a member of management, current or proposed, in any transaction, or in a proposed transaction, that could or would materially affect the REIT.

Jules Dallaire and Michel Dallaire, both Trustees and officers of the REIT, indirectly control Dalcon Inc. and Corporation Financière Alpha (CFA) Inc. Michel Paquet, a Trustee and officer of the REIT, is also associated with these corporations as an officer thereof. Alain Dallaire, member of Cominar's management team, has ties to Corporation Financière Alpha (CFA) Inc.

During the financial year ended December 31, 2004, the REIT recorded leasing revenues of \$1.3M from Dalcon Inc. and Corporation Financière Alpha (CFA) Inc. The REIT also incurred an expense of \$5.1M for the completion by Dalcon Inc., on its behalf, of tenant improvements for tenants of the REIT and \$33.4M for the construction and development of income-producing properties on its behalf by Dalcon Inc.



## COMINAR REAL ESTATE INVESTMENT TRUST

### MANAGEMENT PROXY CIRCULAR

#### APPOINTMENT OF AUDITORS

The Trustees have determined that it would be in the best interests of the REIT to appoint Ernst & Young LLP as auditors of the REIT. Ernst & Young LLP have been the auditors of the REIT since May 14, 2002.

**The persons named in the enclosed form of proxy for use at the Meeting intend to vote IN FAVOUR of the resolution appointing Ernst & Young LLP, as auditors of the REIT to hold office until the next annual meeting of Unitholders or until their successors are appointed, and the authorization of the Trustees to fix the remuneration of the auditors, unless the Unitholder who has given the proxy has directed that the Units represented thereby be withheld from voting in respect to the appointment of auditors.**

#### ADDITIONAL INFORMATION

The audited financial statements of the REIT for the financial year ended December 31, 2004, together with the report of the auditors thereon, will be presented to the Unitholders at the Meeting for their consideration.

Copies of the REIT's 2004 annual report containing the REIT's audited financial statements and management's discussion and analysis for the financial year ended December 31, 2004, this Circular and the REIT's most recent annual information form, together with any document incorporated by reference therein, may be obtained by writing to the Secretary of the REIT at:

Cominar Real Estate Investment Trust  
455 Marais Street  
Vanier, Québec  
G1M 3A2

Copies of these documents and additional information are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### APPROVAL OF THE TRUSTEES

The contents and the distribution of this Circular have been approved by the Board of Trustees of the REIT.

DATED at Québec, Québec, the 16<sup>th</sup> day of March, 2005.

**BY ORDER OF THE BOARD OF TRUSTEES,**  
The Secretary,

**Michel Paquet**



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

### SCHEDULE “ A ”

#### COMPARISON OF THE REIT’S GOVERNANCE PRACTICES WITH THE TSX GUIDELINES

TSX Guidelines	Comments
<p>1. The Board should explicitly assume responsibility for stewardship of the REIT and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:</p>	<p>The Trustees are required to exercise their powers and functions honestly and in good faith, with a view to the best interests of the REIT and the Unitholders. The board of Trustees (the “<b>Board</b>”) acts in accordance with :</p> <ul style="list-style-type: none"> <li>• the Contract of Trust and by-laws of the REIT;</li> <li>• the REIT’s code of ethics and business conduct;</li> <li>• the charters of the Board Committees; and</li> <li>• other REIT’s policies and applicable laws.</li> </ul> <p>The Board, either directly or through committees, is responsible for management and supervision of the business and affairs of the REIT. The Board has delegated to management the power to manage the day-to-day business and affairs of the REIT. The Board approves all significant decisions that affect the REIT before they are implemented.</p> <p>The Board is kept informed of the REIT’s operations at Board’s meetings and committee’s meeting and through reports and discussions with management. The Board meets on a regularly basis.</p>
<p>1a. adoption of a strategic planning process of the REIT;</p>	<p>The Board regularly discusses the REIT’s strategic plans and their implementation, makes the required modifications and ensures they are realized.</p>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<b>1b. identification of principal risks to the operations of the REIT and the establishment of appropriate systems to manage such risks;</b>	<p>The Board, through the Audit Committee, has identified the REIT's principal risks and manages these risks on an ongoing basis by periodically reviewing reports of management, the REIT's internal accountants and external auditors of the REIT.</p>
<b>1c. succession planning, appointing, training and monitoring of senior management;</b>	<p>The Compensation and Governance Committee has primary responsibility for the elaboration of management succession planning, appointing and training matters and discusses such matters with the Board as required. It must monitor the performance of senior management based on the strategic plans approved by the Board.</p>
<b>1d. communications policy;</b>	<p>The Board recognizes the importance of maintaining good communications with current and potential Unitholders and financial analysts.</p> <p>Material disclosure documents such as press releases, management's discussion and analysis, annual reports, annual information forms, quarterly financial statements, prospectuses and proxy circulars are scrutinized and, where required, approved by the Board or one of its committees, in each case before they are publicly disseminated. It is a policy of the REIT to comply with all applicable requirements concerning public disclosure.</p> <p>The Board reviews the REIT's communication policies that address how the REIT interacts with the public and certain measures to avoid selective disclosure. In this regard, procedures are in place to provide timely information to investors and potential investors, such as the REIT's website at <a href="http://www.cominar.com">www.cominar.com</a>.</p> <p>Every request for information receives a prompt and appropriate response from a designated officer of the REIT.</p>





# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<p><b>1e. integrity of internal control and management information systems.</b></p>	<p>The Board has, through the appointment of the Audit Committee, put in place an effective system for monitoring and assessing the REIT's internal control and management information systems and to ensure ethical behaviour and compliance of financial reporting with accounting principles and legal requirements. The Audit Committee meets with the Chief Financial Officer of the REIT as well as with the REIT's internal accountants and if necessary, with the REIT's external auditors on a quarterly basis.</p>
<p><b>2. A majority of trustees should be "unrelated" (independent from management and free from conflicts of interest).</b></p>	<p>The Contract of Trust provides that there shall be a minimum of nine and a maximum of eleven Trustees and that a majority of the Trustees must be Independent Trustees, be resident Canadians and must have at least five years substantial experience in the real estate industry. The Board is currently composed of nine Trustees, five of which are Independent Trustees and Unrelated Trustees.</p>
<p><b>3. The Trustees have responsibility for applying the definition of "unrelated trustee" to each individual trustee and for disclosing annually the analysis of the application of the principles supporting this definition and whether the Board has a majority of unrelated Trustees.</b></p>	<p>The Board is responsible for determining the status of each Trustee. Based on information provided by Trustees as to their individual circumstances, the Trustees have determined that only four Trustees are "related" namely Jules Dallaire, Michel Dallaire, Michel Berthelot and Michel Paquet, as they are appointed by AM Total Investments, general partnership, who is entitled to appoint under the Contract the Trust four Trustees so long as the percentage of Units held represents at least 10% of the Units then outstanding.</p> <p>The five other Trustees, including the proposed nominees as Trustees, namely Yvan Caron, Robert Després, Pierre Gingras, Ghislaine Laberge and Richard Marion are Independent Trustees and Unrelated Trustees.</p>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<p>4. The Board should appoint a committee composed exclusively of outside Trustees a majority of whom are unrelated responsible for appointment of new nominees and ongoing assessment of Trustees.</p>	<p>Currently, the REIT has no formal procedures for recruiting new Trustees. However, the Trustees discuss possible new nominees from time to time among themselves. Future nominations for election of Trustees will be the result of recruitment efforts on behalf of the REIT and discussions among the Trustees prior to formal consideration of new nominations of Trustees.</p>
<p>5. The Board should implement a process to be carried out by an appropriate committee for assessing the effectiveness of the Board, its committees and the contribution of individual Trustees.</p>	<p>To the extent deemed necessary, the Compensation and Governance Committee, which is composed of three Independent and Unrelated Trustees, must conduct evaluations of the effectiveness of the Board, its committees and the performance of individual Trustees. In such evaluations, the Committee must assess the operation of the Board and its committees, the adequacy of information provided to Trustees, communication processes between the Board and management, agenda planning for Board and committee meetings, effectiveness of the Chairman in managing Board meetings, strategic direction and process.</p>
<p>6. The Board should provide orientation and education programs for new Trustees.</p>	<p>There has been no new Trustees of the REIT since the REIT's constitution. Individuals newly appointed or elected to the Board will be provided with appropriate orientation with respect to the operation of the REIT, which includes receipt of manuals, reports and other documents relating to the REIT's operations and affairs, the Trustees, the Board and its committees.</p>
<p>7. The Board should examine its size, with a view to determine the impact upon effectiveness and should, and, if appropriate, undertake a program to reduce the number of Trustees to a number which facilitates more effective decision making.</p>	<p>The Board currently consists of nine Trustees. The Board believes that this size is appropriate for the REIT at this time and that it offers the flexibility to respond efficiently to opportunities. The Board is of the view that current membership has the necessary breadth and diversity of experience and its size is appropriate to provide for effective decision making and staffing of Board committees.</p>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<p>8. The Board should review the adequacy and form of compensation of Trustees in light of risks and responsibilities involved in being a Trustee.</p>	<p>The Compensation and Governance Committee must review on an annual basis the level and nature of Trustee's compensation in light of market conditions, risks and levels of responsibility.</p>
<p>9a. Committees of the Board should generally be composed of outside Trustees a majority of whom are unrelated</p>	<p>The Contract of Trust requires that a majority of the members of each of the Board committees be Independent and Unrelated Trustees except for the Compensation and Governance Committee, which is required to be composed of Independent and Unrelated Trustees only. All members of the Audit Committee and the Compensation and Governance Committee are outside, Independent and Unrelated Trustees.</p> <p>The Trustees have unanimously decided not to form an Investment Committee, thus leaving the Board with the latitude required to approve or reject proposed transactions including proposed acquisitions and disposition of investments and borrowings, including the assumption or granting of any immovable hypothec by the REIT.</p>
<p>9b. Describe the responsibilities of the committees of the Board.</p>	<p><u>Audit Committee</u></p> <p>The Audit Committee consists of three members, all of whom are Independent and Unrelated Trustees.</p> <p>The current members of this Committee are: Robert Després (president), Yvan Caron and Pierre Gingras.</p> <p>The Audit Committee is responsible, <i>inter alia</i>, for the review of financial statements, accounting policies and reporting procedures of the REIT. The Audit Committee is also responsible for reviewing the REIT's external audit plan, internal controls, accounting systems and financial reporting, and reviews the REIT's insurance coverage to ensure its</p>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<p><b>9b. (suite)</b></p>	<p>adequacy. The Audit Committee has unrestricted access to senior management of the REIT and to the REIT's external auditors. The Audit Committee has adopted a written mandate.</p> <p><u>Compensation and Governance Committee</u></p> <p>The Compensation and Governance Committee consists of three members, all of whom are Independent and Unrelated Trustees.</p> <p>The current members of this Committee are: Yvan Caron (president), Pierre Gingras and Ghislaine Laberge.</p> <p>The Committee is responsible for advising on the REIT's compensation programs (including compensation of officers and Trustees of the REIT, grant of options under the Unit Option Plan and eligibility for participants in the Employee Unit Purchase Plan of the REIT) and for developing and monitoring the REIT's governance policies and practices. The Compensation and Governance Committee has adopted a written mandate.</p>
<p><b>10. The Trustees should assume responsibility for, or assign to a committee of Trustees responsibility for developing the approach to corporate governance issues</b></p>	<p>The mandate of the Governance and Compensation Committee includes reviewing the REIT's approach to and practices and policies regarding governance issues.</p>
<p><b>11. The Trustees, together with the Chief Executive Officer (the "CEO"), should approve or develop position descriptions for the Board and the CEO involving the definition of the limits to management's responsibility. In addition, the Board should approve or develop the objectives which the CEO is responsible for meeting.</b></p>	<p>The Contract of Trust provides that the Board controls and has full power over the REIT's assets and the affairs of the REIT. Any responsibility which is not delegated to senior management or to a committee of the Board remains the responsibility of the Board.</p> <p>The Board receives and discusses the objectives of the CEO annually and follows their progress.</p>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
<p><b>12. The Board should implement structures and procedures to enable the Board to function independently of management.</b></p>	<p>The current Chairman, Jules Dallaire, is an AM Total Investment Trustee and he is a member of management. There is no lead trustee. However, since the majority of the Trustees are Independent Trustees and Unrelated Trustees, the Board believes that there are sufficient measures in place to ensure independence from the management of the REIT.</p> <p>Pursuant to the Contract of Trust, the Independent Trustee Matters require the approval of a majority of Independent Trustees only, such as:</p> <ul style="list-style-type: none"> <li>(i) to enter into arrangements in which the Dallaire Group has a material interest;</li> <li>(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 Unitholders that the number of Trustees be increased or decreased and, if applicable, to nominate for election by Unitholders individuals as Independent Trustees to fill any office of Trustee so created;</li> <li>(iii) to increase the compensation of management;</li> <li>(iv) to grant options under any Unit Option Plan approved by the Trustees, including, without limitation, the Unit Option Plan;</li> <li>(v) to enforce any agreement entered into by the REIT with a Trustee who is not an Independent Trustee, or with an associate of a non-Independent Trustee; and</li> </ul>



# COMINAR REAL ESTATE INVESTMENT TRUST

## MANAGEMENT PROXY CIRCULAR

TSX Guidelines	Comments
12. (suite)	(vi) in relation to a claim by or against the Dallaire Group, any member of the Dallaire Family or any affiliate or associate of any of the foregoing or in which the interest of one of the foregoing differs from the interests of the REIT.
13. The Audit Committee should be entirely composed of "unrelated" Trustees. The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to the Audit Committee members as to their duties.	All of the members of the Audit Committee are outside, Independent and Unrelated Trustees. They are financially literate and are able to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto. The Audit Committee has a charter setting out the roles and responsibilities of its members. The charter is reviewed on an annual basis. The REIT's external auditors have a direct line of communication with the committee at all times. At each meeting attended by the external auditors, the Committee meets with them without management present. The committee is responsible for overseeing management reporting and internal control systems. The committee reviews the audit plan of the external auditors and approves the audit fees. The committee reviews policies and procedures for managing principal risks for the REIT.
14. Implement a system to enable individual trustee to engage outside advisors at the REIT's expense.	The Board approves the hiring of outside advisers. No outside adviser was hired in 2004.