*This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended.*

*Initial Public Offering*

May 8, 1998

# COMINAR REAL ESTATE INVESTMENT TRUST

## $145,000,000
## 14,500,000 Units, of which
## 8,300,000 Units are represented by Instalment Receipts

This prospectus qualifies the distribution of 8,300,000 Units (the "Receipt Units") of Cominar Real Estate Investment Trust (the "REIT") represented by instalment receipts (the "Instalment Receipts"). The 8,300,000 Receipt Units are offered hereby at a price of $10.00 per Receipt Unit, payable on an instalment basis. The initial instalment (the "Initial Instalment") of $6.00 per Receipt Unit is payable on the Closing and the final instalment (the "Final Instalment") of $4.00 per Receipt Unit is payable no later than the first anniversary of the Closing. This prospectus also qualifies the distribution of 6,200,000 Units (the "Cominar Units") (at a price of $10.00 per Cominar Unit) of the REIT to be issued to Cominar in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT". No Underwriters' Fee will be payable in connection with the distribution of the Cominar Units. The Receipt Units and the Cominar Units are collectively referred to herein as the "Units". This prospectus also qualifies the rights issuable under the Rights Plan referred to under "Unitholders' Rights Plan". The Montreal Exchange and The Toronto Stock Exchange have conditionally approved the listing of the Units and of the Instalment Receipts, subject to the fulfillment of all of the requirements of such exchanges on or before August 5, 1998, including the distribution of Units and of Instalment Receipts to a minimum number of public holders.

The REIT is an unincorporated closed-end investment trust governed by the laws of the Province of Québec, which has been formed to acquire the Portfolio and the Assets. See "The REIT". The REIT intends to distribute to Unitholders monthly in cash on or about each Distribution Date in each year 95% of all of the Distributable Income of the REIT for the period then ended, calculated as described under "Distribution Policy". **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. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.**

The Receipt Units offered hereby will be pledged to the REIT to secure the obligation to pay the Final Instalment. Prior to the payment of the Final Instalment, the ownership of the Receipt Units will be represented by the Instalment Receipts. **If a registered holder of an Instalment Receipt does not pay the Final Instalment on or before the first anniversary of the Closing, the Receipt Units represented by such registered holder's Instalment Receipt may, at the REIT's option, subject to compliance with applicable law, be acquired by the REIT in full satisfaction of the obligation to pay the Final Instalment, or such Receipt Units may be sold, in which case the registered holder shall remain liable for any deficiency in the proceeds of such sale. See "Details of the Receipt Units Offering"**. The REIT will hypothecate and grant a security interest in its rights under the Final Instalments and the pledge of the Receipt Units to the lenders providing a term loan (the "Instalment Loan") in the amount of $33,200,000 as security for the Instalment Loan, the net proceeds of which loan will be combined with the net proceeds from the Initial Instalments received from the Offering to satisfy the cash portion of the consideration payable to Cominar for the Portfolio and the Assets. **Lévesque Beaubien Geoffrion Inc., one of the Underwriters, is controlled by a Canadian chartered bank which is one of Cominar's principal lenders and which will be providing a portion of the Instalment Loan. Desjardins Securities Inc., one of the Underwriters, is controlled by a Québec financial institution which is one of Cominar's principal lenders. Cominar will also be providing a portion of the Instalment Loan.** See "Details of the Receipt Units Offering", "Plan of Distribution" and "Use of Proceeds".

**There is currently no market through which the Units or the Instalment Receipts may be sold.** The price of the Units offered hereby was established by negotiation between the REIT and the Underwriters. There are certain risk factors inherent in an investment in the Units and in the activities of the REIT. See "Risk Factors". In the opinion of counsel, the Units will, at the date of the Closing, be eligible for investment under certain statutes as set out under "Eligibility for Investment".

**PRICE: $10.00 per Unit, of which, in the case of Receipt Units, $6.00 is payable on the Closing**

| | Price | Underwriters' Fee | Net proceeds to the REIT(1) |
|---|---|---|---|
| Per Receipt Unit | | | |
| Initial Instalment | $ 6.00 | $ 0.60 | $ 5.40 |
| Final Instalment | $ 4.00 | $ — | $ 4.00 |
| Total per Receipt Unit | $ 10.00 | $ 0.60 | $ 9.40 |
| Per Cominar Unit | $ 10.00 | $ — | $ 10.00 |
| Total Offering(2) | $145,000,000 | $4,980,000 | $140,020,000 |

Notes:

(1) After deducting the Underwriters' Fee but before deducting expenses of the Offering estimated at $1,100,000, which will be paid by the REIT from the proceeds of this Offering.

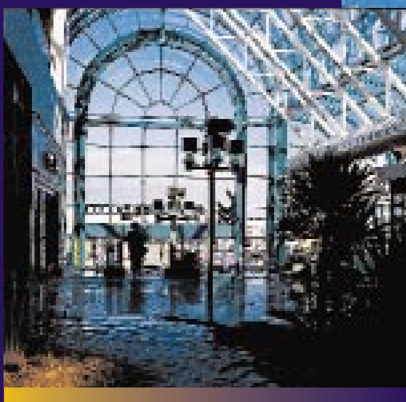
(2) The REIT has granted to the Underwriters an option (the "Over-Allotment Option") exercisable for a period of 60 days from the Closing, to purchase an aggregate of up to 1,245,000 Receipt Units on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Offering will be $157,450,000, the total Underwriters' Fee will be $5,727,000 and the total Net Proceeds to the REIT will be $151,723,000. This prospectus also qualifies the distribution of the Receipt Units issuable on the exercise of the Over-Allotment Option. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Receipt Units subject to prior sale, if, as and when issued and delivered by the REIT and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the REIT by Goodman Phillips & Vineberg, Montreal, a general partnership, and on behalf of the Underwriters by Desjardins Ducharme Stein Monast, a general partnership.

Subscriptions for Receipt Units 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. The Closing is expected to occur on or about May 21, 1998 but in any event no later than June 18, 1998. Instalment Receipts will be available for delivery at the Closing. The Cominar Units and the rights issuable under the Rights Plan referred to under "Unitholders' Rights Plan" will be issued at the Closing.

369
573
175
CHARLESBOURG
369
40
boul. de la Capitale
40
BEAUPORT
40
73
540
VANIER
boul. Charest
SAINTE-FOY
440
40
440
boul. Laurier
175
QUÉBEC
73
175
FLEUVE SAINT-LAURENT
LÉVIS
132
132
SAINT-ROMUALD
20
20

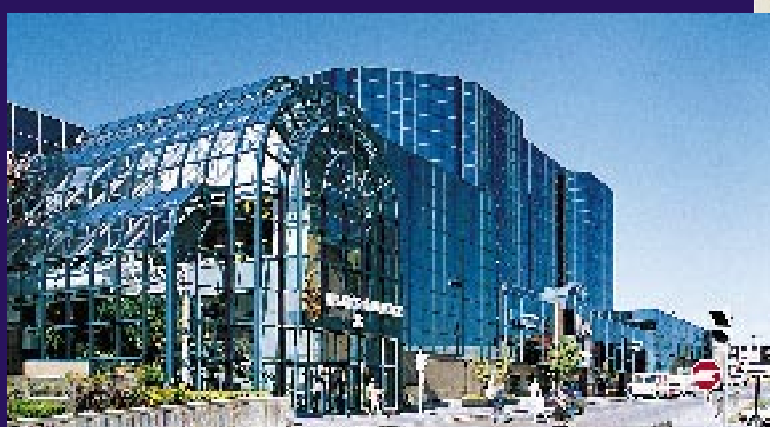
# Place de la Cité



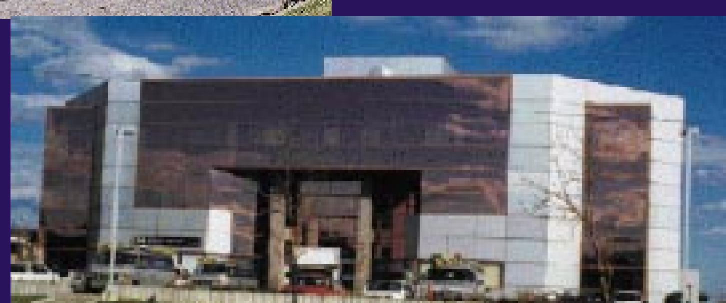

CITE
6


BEAUGAR


LUNETTERIE
NEW
LOOK




# Siège social de Cominar

COMINAR

Fonds de Placement Immobilier

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## ELIGIBILITY FOR INVESTMENT

In the opinion of Goodman Phillips & Vineberg, Montreal, a general partnership, counsel to the REIT, and of Desjardins Ducharme Stein Monast, a general partnership, counsel to the Underwriters, subject to compliance with the prudent investment standards and general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals, the Units offered hereby to be issued at the Closing will not at the date of their issue be precluded as investments under the following statutes:

*Insurance Companies Act* (Canada)
*Trust and Loan Companies Act* (Canada)
*Pension Benefits Standards Act, 1985* (Canada)
*Pension Benefits Act* (Ontario)
*Supplemental Pension Plans Act* (Québec) for a plan governed thereby
*An Act respecting insurance* (Québec) for an insurer (as defined therein), incorporated under the laws of the Province of Québec, other than a guarantee fund, a mutual association or an insurance fund
*An Act respecting trust companies and savings companies* (Québec) for a trust company (as defined therein), incorporated under the laws of the Province of Québec investing its own funds and deposits it receives, and a savings company (as defined therein) investing its funds
*Financial Institutions Act* (British Columbia)
*The Insurance Act* (Manitoba)
*The Pension Benefits Act* (Manitoba)
*Loan and Trust Corporations Act* (Alberta)
*The Pension Benefits Act, 1992* (Saskatchewan)
*Pension Benefits Act* (New Brunswick)

In addition, in the opinion of such counsel, and subject to the satisfaction of certain requirements in order for the REIT to be a "mutual fund trust", within the meaning of the *Tax Act,* which include the listing of the Units on a prescribed stock exchange in Canada, within the time prescribed in the *Tax Act* and on the assumption that the REIT will thus qualify as a mutual fund trust upon the Closing, and will thereafter continuously qualify as a mutual fund trust for the purposes of the *Tax Act*, the Units will be qualified investments under the *Tax Act* for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and further, assuming that the REIT meets the requirements to be and at all times remains a "registered investment" within the meaning of the *Tax Act*, the Units will not constitute foreign property for such plans, registered pension funds or plans or any other person subject to Part XI of the *Tax Act*.

## EXPLANATORY NOTES

Certain terms used herein are defined in the Glossary appearing in this prospectus, or elsewhere in this prospectus.

In this prospectus, "Cominar" means, collectively, Immeubles Cominar inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships, or any one or more of them, as the context may require. In this prospectus, "Cominar Management" means the management of Cominar and "Management" means the management of the REIT.

In this prospectus, "Properties" means, collectively, the 51 office, retail, industrial and mixed use properties owned by Cominar described under "Properties", and "Property" means any one of them. In this prospectus, "Portfolio" means a 100% ownership interest in each of the Properties.

**Unless otherwise noted, in this prospectus, measures of leasable area and space refer to net leasable area and measurements in square feet refer to approximate measurements**.

Unless otherwise noted, the information in this prospectus does not give effect to the exercise of the Over-Allotment Option covering 1,245,000 Receipt Units described under "Plan of Distribution".

## SUMMARY

*The following is a summary only and is qualified by the more detailed information appearing elsewhere in this prospectus.*

### The REIT

Cominar Real Estate Investment Trust (the "REIT") is an unincorporated closed-end investment trust created by the Contract of Trust under, and governed by, the laws of the Province of Québec. The objectives of the REIT are (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent practicable, tax deferred, from investments in a diversified Portfolio of income producing office, retail, industrial and mixed use properties primarily located in the Greater Québec City Area, and (ii) to improve and maximize Unit value through the ongoing active management of the REIT's properties and through future acquisition of additional income producing properties. See "Objectives of the REIT".

The REIT was established on March 31, 1998 to acquire the Portfolio and the Assets from Cominar. The REIT will continue and expand the commercial real estate activities carried on by Cominar, which since 1965 has been engaged in acquiring, redeveloping, renovating, owning, managing and leasing properties in the Greater Québec City Area. Cominar is controlled by members of the Dallaire Family and Cominar Management. See "Cominar". On the Property Closing, the REIT will issue to Cominar 6,200,000 Cominar Units in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering. See "Acquisition of the Portfolio and Assets by the REIT" and "Plan of Distribution". The Cominar Units have the same attributes as the Receipt Units. The Receipt Units and the Cominar Units are collectively referred to herein as the "Units". See "Contract of Trust and Description of Units".

The Portfolio is comprised of 51 office, retail, industrial and mixed use properties located in the Greater Québec City Area, representing, in aggregate, approximately 3.1 million square feet of leasable area. On the Property Closing, the REIT will acquire a 100% ownership interest in the Properties and will also acquire the Assets consisting of all of the systems and assets of Cominar relating to the Properties. In addition, the employees of Cominar related to the management of the Properties will be transferred to the REIT on the Property Closing. See "Properties" and "Acquisition of the Portfolio and Assets by the REIT".

Going forward, the REIT will seek to acquire properties at a discount to replacement cost that present an accretive opportunity to create value and enhance cash flow. Future property acquisitions will be subject to specific investment guidelines and the operation of the REIT will be subject to specific operating policies. See "Investment Guidelines and Operating Policies". The Trustees will be responsible for the general control, direction and management of the REIT. After giving effect to the transfer to the REIT of Cominar's employees, systems and assets relating to the Properties, the REIT's property and asset management functions will be fully internalized and the REIT will operate as a fully-integrated, self-administered and self-managed real estate investment trust. Management believes that internalizing Cominar's employees, systems and assets relating to the Properties will improve the REIT's efficiency and operating performance. See "The REIT", "Management Strategy of the REIT" and "Management of the REIT".

### The Offering

| | |
|---|---|
| Issue: | 14,500,000 Units of the REIT consisting of 8,300,000 Receipt Units represented by Instalment Receipts and 6,200,000 Cominar Units issued on a fully-paid basis. Up to an additional 1,245,000 Receipt Units represented by Instalment Receipts may be offered to the public upon the exercise of the Over-Allotment Option granted by the REIT to the Underwriters. Immediately following the Closing, approximately 43% of the outstanding Units will be owned by Cominar. Cominar has agreed with the REIT and the Underwriters to certain restrictions on the resale of the Cominar Units. See "Plan of Distribution". |

| | |
|---|---|
| Price: | $10.00 per Unit of which, in the case of Receipt Units, $6.00 (the "Initial Instalment") is payable on the Closing and $4.00 (the "Final Instalment") is payable on or before the first anniversary of the Closing. |

Distributable Income:

The net income of the REIT for the twelve months ending March 31, 1999 is forecast to be $11,921,000 and the Distributable Income for the twelve months ending March 31, 1999 is forecast to be $12,280,000 on the Receipt Units and the Cominar Units. See "Financial Forecast". Cash distributions (based on 95% of forecast Distributable Income) are forecast to be $11,666,000 on the Receipt Units and the Cominar Units for the twelve months ending March 31, 1999. If the Over-Allotment Option is exercised in full, the Distributable Income is forecast to be $12,460,000 on the Receipt Units and the Cominar Units and cash distributions (based on 95% of forecast Distributable Income) are forecast to be $11,837,000 on the Receipt Units and the Cominar Units for such period.

The following table, based on the Financial Forecast, reflects the amount of Distributable Income and the cash distributions on a Receipt Unit, a Cominar Unit and a fully-paid Unit (with respect to the latter, excluding the effects of the Instalment Loan interest expense) for the twelve months ending March 31, 1999:

| | Distributable Income | Cash Distributions[(1) (2)] |
|---|---|---|
| Receipt Unit | $0.847/Unit | $0.805/Unit |
| Cominar Unit | $0.847/Unit | $0.805/Unit |
| Fully-paid Unit[(3)] | $0.989/Unit | $0.939/Unit |

Notes:

(1) It is Management's intention to distribute 95% of the Distributable Income on an on-going basis. See "Distribution Policy".

(2) If the Over-Allotment Option is exercised in full, cash distributions (based on 95% of forecast Distributable Income) are forecast to be $0.752 per Receipt Unit, $0.752 per Cominar Unit and $0.895 per fully-paid Unit for the twelve months ending March 31, 1999.

(3) Amounts per fully-paid Unit have been adjusted to exclude the effects of the Instalment Loan interest expense, based on the forecast Distributable Income.

Forecast Yield:

Based on the Financial Forecast, the yield for the twelve months ending March 31, 1999 (based on 95% of forecast Distributable Income) is forecast to be 13.4% on a Receipt Unit, 8.0% on a Cominar Unit and 9.4% on a fully-paid Unit.

Attributes of Units:

The Units represent the ownership interest of the holders thereof in the REIT. Each Unit carries one vote at meetings of Unitholders and a holder thereof is entitled to participate equally and ratably in 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 after satisfaction of all liabilities. The Cominar Units have the same attributes as the Receipt Units. See "Contract of Trust and Description of Units".

Instalment Payment Arrangements:

The purchase price for the Receipt Units is payable on an instalment basis. The Initial Instalment of $6.00 per Receipt Unit is payable on the Closing and the Final Instalment of $4.00 per Receipt Unit is payable on or before the first anniversary of the Closing (no later than 5:00 p.m. local time at the place of payment on such date). Prior to the payment in full of the Final Instalment, a holder's ownership of Receipt Units will be represented by an Instalment Receipt and the Receipt Units will be pledged to secure the obligation of the registered holder of the Instalment Receipt to pay the Final Instalment. As

| | |
|---|---|
| | soon as practicable after payment of the Final Instalment, the registered holder of an Instalment Receipt will receive a certificate representing the underlying Receipt Units. **If a registered holder of an Instalment Receipt does not pay on the due date the Final Instalment for the Receipt Units represented by the Instalment Receipts, such Receipt Units may, at the REIT's option, subject to compliance with applicable law, be acquired by the REIT in full satisfaction of the registered holder's obligation to pay the Final Instalment. Alternatively, such Receipt Units may be sold and the registered holder shall remain liable for any deficiency if the proceeds of such sale are insufficient to cover the amount of the Final Instalment and the costs of sale (such costs of sale not to exceed $1.00 per Receipt Unit)**. See "Details of the Receipt Units Offering". |
| Rights of Instalment Receipt Holders: | Registered holders of Instalment Receipts will be entitled, in the manner set forth in the Instalment Receipt Agreement, unless the holder has defaulted on its obligations thereunder, to fully participate in all distributions by the REIT, to exercise the votes attached to the Receipt Units represented by such Instalment Receipts, and to receive periodic reports and other materials in like manner as if they were registered holders of the Receipt Units represented by such Instalment Receipts. See "Details of the Receipt Units Offering". |
| Use of Proceeds: | The proceeds of approximately $145,000,000 from this Offering consist of $83,000,000 from the issuance of the Receipt Units and $62,000,000 from the issuance of the Cominar Units. The net proceeds from the Receipt Units sold pursuant to this Offering, after deducting the Underwriters' Fee ($4,980,000) and the expenses of this Offering (estimated at $1,100,000) are estimated to be $76,920,000 upon receipt of the Final Instalment on the Receipt Units. Concurrent with the Closing, the REIT intends to obtain a non-revolving term loan from two Canadian chartered banks and Cominar (the "Instalment Loan"), not to exceed the aggregate of the Final Instalments in respect of the Receipt Units sold pursuant to this Offering and the Over-Allotment Option, secured by a hypothec on and security interest in the REIT's rights and entitlements under the Final Instalments and the pledge of the Receipt Units (the "Instalment Loan Hypothec"). Approximately:<br>• $25,413,000 will be used by the REIT to pay a portion of the cash due to Cominar on the Property Closing;<br>• $3,740,000 will be used to pay land transfer taxes and acquisition costs incurred on the acquisition of the Portfolio and the Assets;<br>• $14,567,000 will be used for future property acquisitions, capital improvements and working capital purposes; and<br>• the proceeds of $33,200,000 from the Final Instalment in respect of the Receipt Units will be applied to the repayment of the Instalment Loan.<br>The net proceeds from the Instalment Loan will be combined with the net proceeds from the Initial Instalments received from the Offering to satisfy the cash portion of the consideration payable to Cominar for the Portfolio and the Assets.<br>The net proceeds, if any, from the sale of Receipt Units pursuant to the Over-Allotment Option will be added to the working capital of the REIT. The REIT intends to use working capital to finance the acquisition of additional income-producing office, retail, industrial and mixed use properties. See "Use of Proceeds". |

The following table summarizes certain aspects of the use of the net proceeds of this Offering and the Instalment Loan:

| Property Type | Aggregate Purchase Price(1) | Land Transfer Taxes and Other Acquisition Expenses(2) | Assumed Hypothecs(3) | Use of Net Proceeds |
|---|---|---|---|---|
| Office Properties(4) | $ 78,305,000 | $ 1,234,200 | $ 52,613,191 | $ 26,926,009 |
| Retail Properties(5) | 123,992,000 | 1,907,400 | 54,066,531 | 71,832,869 |
| Industrial and Mixed Use Properties | 38,740,000 | 598,400 | 13,744,559 | 25,593,841 |
| Sub-Total | 241,037,000 | 3,740,000 | 120,424,281 | 124,352,719 |
| Working Capital(6) | — | — | — | 14,567,000 |
| Total | $241,037,000 | $ 3,740,000 | $120,424,281 | $138,919,719 |

Notes:

(1) The purchase price for the Properties and the Assets is an approximation based upon the amount to be allocated to the Properties by the REIT as determined by reference to the appraised value of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(2) Derived by Cominar Management from the allocation as determined by reference to the appraised value of the Properties. Includes estimated acquisition related expenses payable by the REIT, including land transfer taxes, legal and other expenses.

(3) The Place de la Cité Loan, a term loan in the amount of $80 million, in aggregate, to be arranged with a group of institutional lenders on or prior to the Closing and to be secured by an immovable hypothec on Place de la Cité in its entirety has been allocated by Cominar Management, based on the appraised value of Place de la Cité, as to $34.4 million to the Office Properties category and as to $45.6 million to the Retail Properties category.

(4) Includes 428,354 square feet of office space at Place de la Cité.

(5) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(6) Includes funds available for future property acquisitions, capital improvements and general purposes of the REIT.

The Properties have been jointly appraised by Drivers Jonas and Dorion, Noël et Hallissey inc. (collectively, the "Appraiser") to have an aggregate market value in the range of $235,000,000 to $247,500,000. The most probable price of $241,037,000, as determined by the Appraiser, is based on a capitalization rate of 9.9% and an average price per square foot of $78.42 overall, including $92.92 for the Office Properties (which includes an allocation of 43% of the value and 428,354 square feet of Place de la Cité), $115.26 for the Retail Properties (which includes an allocation of 57% of the value and 388,263 square feet of Place de la Cité) and $33.54 for the Industrial and Mixed Use Properties. If Place de la Cité were not included in the calculation, then the resulting price per square foot for the Office Properties and the Retail Properties would be $66.00 per square foot and $82.10 per square foot, respectively. See "Independent Appraisal of the Value of the Portfolio".

## COMINAR

Cominar is a fully-integrated real estate organization that owns and manages a diverse portfolio of real estate properties in the Greater Québec City Area. During its over thirty years of existence, Cominar has developed office, retail, industrial and mixed use properties representing, in aggregate, over five million square feet of leasable space and residential properties representing approximately 2,500 residential units. Cominar was founded in 1965 by Jules Dallaire and commenced operations with the construction and development of residential apartment buildings in the Greater Québec City Area. As Cominar's experience and reputation for delivering real estate projects on time and on budget grew, it increasingly became involved in larger and more challenging development projects that included office, retail, industrial and mixed use properties. In addition to building a profitable real estate development business, Cominar recognized and pursued the long term benefits of owning and operating a diversified portfolio of well-located income-producing properties concentrated within a specific regional market. Cominar combined its development experience with a disciplined and conservative financial strategy to increasingly develop build-to-own projects in a variety of income-producing property types for its own account. By adhering to this strategy, Cominar created one of the largest privately owned commercial property portfolios within the Greater Québec City Area. Throughout its existence, Cominar has maintained a conservative borrowing policy and has complied with its financial commitments and covenants.

Cominar has established a dominant presence in the Greater Québec City Area commercial real estate market which has allowed it to achieve significant economies of scale. It currently owns a diversified portfolio that includes

51 office, retail, industrial and mixed use properties, with 842,730 square feet of office space, 1,075,795 square feet of retail space and 1,155,134 square feet of industrial and mixed use space, representing, in aggregate, approximately 3.1 million square feet of leasable area. Cominar (together with related entities) offers a full range of real estate services, including property and asset management, leasing, accounting, construction and development services, and provides leasable space to over 900 tenancies. Cominar's real estate operations currently employ approximately 120 full-time employees, of which 85 are dedicated to property and asset management and 35 are dedicated to construction and other related services.

Cominar is controlled by members of the Dallaire Family of Québec City and by Cominar Management. Cominar and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire will enter into a Non-Competition Agreement with the REIT which will restrict certain real estate related activities by them and their spouses, including that they not invest in office, retail, industrial and mixed use properties in Canada without first offering such investment to the REIT. See "Cominar" and "Non-Competition Agreement".

### Management Strategy of the REIT

The REIT believes that commercial real estate is a dynamic investment that requires active and experienced management in order to maximize total returns and minimize risk for Unitholders. The REIT believes that this objective can best be achieved through a comprehensive and proactive management strategy intended to enhance the operating and financial performance of the REIT. Specifically, the REIT intends to:

- grow net rental revenues and occupancy levels within the Portfolio and, where economically viable, exploit expansion or redevelopment opportunities for long-term value appreciation; and
- seek accretive acquisitions, expansion and redevelopment opportunities for long-term value appreciation, firstly within the Greater Québec City Area and secondly in the greater Montreal area and other markets within the Province of Québec where the REIT can capitalize on Cominar's development expertise and strong institutional, business and tenant relationships.

Management's operating strategy will be to: maintain market dominance of the REIT's operations within the Greater Québec City Area; align the interests of Management, the REIT and Unitholders; capitalize on the REIT's competitive strengths; maintain a balanced Portfolio by property type and size; and maintain a conservative borrowing policy. See "Management Strategy of the REIT".

### Portfolio

The Portfolio which the REIT will acquire consists of 51 office, retail, industrial and mixed use properties located in the Greater Québec City Area. The Portfolio is comprised of all of the properties owned by Cominar (other than the Excluded Property) and consists of 842,730 square feet of office space, 1,075,795 square feet of retail space and 1,155,134 square feet of industrial and mixed use space, representing, in aggregate, approximately 3.1 million square feet of leasable area. The Properties comprising the Portfolio are mostly situated in prime locations along major traffic arteries and benefit from high visibility and easy access by both tenants and tenants' customers. On the Property Closing, the REIT will acquire a 100% ownership interest in each of the Properties, including a 100% ownership interest in all of the lands comprising the Properties. There are no land leases on any of the Properties within the Portfolio. The Properties are generally well-maintained and in good operating condition.

## Overview of Portfolio

The following table summarizes the distribution of the appraised values and estimated replacement cost of the Properties by asset class:

### Distribution by Asset Class

| Property Type | Number of Properties[1] | Area: Area (Square Feet) | Area: % | Appraised Value: Appraised Value[2] (000s) | Appraised Value: % | Appraised Value: Appraised Value per Square Foot[3] | Estimated Replacement Cost per Square Foot[4] | Appraised Value as a % of Estimated Replacement Cost |
|---|---|---|---|---|---|---|---|---|
| Office Properties[5] | 8 | 842,730 | 27.4 | $78,305 | 32.5 | $92.92 | $114.80 | 80.9% |
| Retail Properties[6][7] | 13 | 1,075,795 | 35.0 | $123,992 | 51.4 | $115.26 | $140.05 | 82.3% |
| Industrial and Mixed Use Properties | 30 | 1,155,134 | 37.6 | $38,740 | 16.1 | $33.54 | $47.93 | 70.0% |
| Total Portfolio | 51 | 3,073,659 | 100.0 | $241,037 | 100.0 | $78.42 | $98.50 | 79.6% |

Notes:

(1) Place de la Cité has been included in the Retail Properties category.

(2) As determined by the Appraiser.

(3) Derived by Cominar Management from the allocation as determined by reference to the appraised value of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(4) Derived by Cominar Management from the allocation as determined by reference to the Appraiser's estimated replacement cost of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(5) Includes 428,354 square feet of office space at Place de la Cité, except as to "Number of Properties" information.

(6) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(7) Carrefour Charlesbourg in Charlesbourg, Québec includes four adjacent residential properties to be used for future expansion of parking at Carrefour Charlesbourg.

The following table summarizes the distribution of Net Operating Income for the year ended December 31, 1997 of the Properties by asset class:

### Net Operating Income

| Property Type | Area % | Net Operating Income for the Year Ended December 31, 1997[1] (000s) | Net Operating Income for the Year Ended December 31, 1997[1] % |
|---|---|---|---|
| Office Properties[2] | 27.4% | $6,717 | 31.8% |
| Retail Properties[3][4] | 35.0% | $10,625 | 50.3% |
| Industrial and Mixed Use Properties | 37.6% | $3,781 | 17.9% |
| Total Portfolio | 100.0% | $21,123 | 100.0% |

Notes:

(1) Management's allocation of the Net Operating Income for the year ended December 31, 1997 set forth in the audited Combined Statement of Income before Income Taxes and Cash Flows from Operations. See "Combined Statement of Income before Income Taxes and Cash Flows from Operations".

(2) Includes 428,354 square feet of office space at Place de la Cité.

(3) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(4) Carrefour Charlesbourg in Charlesbourg, Québec includes four adjacent residential properties to be used for future expansion of parking at Carrefour Charlesbourg.

As at March 1, 1998, the Portfolio was approximately 94.7% leased. The average remaining lease term from March 1, 1998 is approximately 4.2 years. In each of 1998 and 1999, approximately 8.2% and 12.6%, respectively, of the space in the Portfolio is subject to lease renewals. See "Cominar", "Properties" and "Acquisition of the Portfolio and Assets by the REIT".

The following table sets forth the lease maturities for the Portfolio:

**Lease Maturities[1]**

| | Office[2] | Retail[3] | Industrial and Mixed Use | Total Area | Total % |
|---|---|---|---|---|---|
| | (square feet, except percentages) | | | | |
| **Lease Maturities** | | | | | |
| 1998 | 81,915 | 86,030 | 84,230 | 252,175 | 8.2% |
| 1999 | 85,710 | 99,114 | 201,980 | 386,804 | 12.6% |
| 2000 | 123,624 | 91,715 | 121,679 | 337,018 | 11.0% |
| 2001 | 69,602 | 230,500 | 106,295 | 406,417 | 13.2% |
| 2002 | 109,988 | 139,165 | 69,771 | 318,923 | 10.4% |

Notes:

(1) Information given for the twelve months ending December 31 of each calendar year.

(2) Includes maturities for leases of office space at Place de la Cité.

(3) Includes maturities for leases of retail space at Place de la Cité.

The following table summarizes certain aspects of the Assumed Hypothecs:

**Debt Maturities[1][2][3]**

| | Office | Retail | Industrial and Mixed Use | Total |
|---|---|---|---|---|
| | (in thousands, except percentages and years) | | | |
| **Debt Maturities** | | | | |
| 1998 | — | — | — | — |
| 1999 | — | $ 5,643 | $ 4,254 | $ 9,897 |
| 2000 | — | — | — | — |
| 2001 | $ 9,175 | $ 4,285 | $ 7,319 | $ 20,779 |
| 2002 | $ 3,769 | $ 488 | — | $ 4,257 |
| **Weighted Average Interest Rate on Assumed Hypothecs** | 7.24% | 6.95% | 7.96% | 7.1% |
| **Weighted Average Term to Maturity on Assumed Hypothecs** | 4.5 years | 4.4 years | 2.5 years | 4.3 years |

Notes:

(1) Estimates of Cominar Management, based on the current status of negotiations with lenders of terms expected to be in place at the Closing. This table assumes a date of Closing of April 1, 1998. This table also assumes that the Place de la Cité Loan, an $80 million five-year fixed rate term loan maturing in April 2003 to be secured by a hypothec on Place de la Cité in its entirety, will be arranged with a group of institutional lenders prior to the Closing. For the purposes of this table, the interest rate has been assumed to be 6.7%. The Closing is conditional upon the entering into of the Place de la Cité Loan at a commercially prevailing rate of interest for commercial loans in Canadian dollars in Canada.

(2) The Place de la Cité Loan has been allocated by Cominar Management, based on the appraised value of Place de la Cité, as to $34.4 million to the Office Properties category and as to $45.6 million to the Retail Properties category.

(3) Excluding Instalment Loan.

## Environmental and Engineering

Independent environmental consultants have performed Phase I environmental site assessments (also known as environmental audits) on each of the Properties. These Phase I environmental site assessments did not reveal any material environmental concerns. Substantially all of these Phase I environmental site assessments were performed by Le Groupe Conseil Enviram (1986) Inc. ("Enviram"). Phase II environmental site assessments have also been recently performed by Enviram and other independent environmental consultants on eleven of the Properties. These Phase II environmental site assessments did not reveal any environmental concerns which could materially adversely affect the REIT, its financial condition or its operations. Cominar Management estimates that the cost of any environmental remedial work required will not exceed $100,000. It is expected that such work will be completed by Cominar, at its cost, by December 31, 1998. The Purchase Agreements will contain environmental representations, warranties and indemnities customary in arm's length transactions of this nature. See "Environmental and Engineering" and "Acquisition of the Portfolio and Assets by the REIT — Purchase Agreements".

Soprin ADS, an independent firm of professional engineers, has been retained to carry out engineering inspections of each of the Properties, except for one smaller mixed use Property. The results of the engineering inspections, as reported by Soprin ADS in its February 1998 report, indicated that, overall, the Properties are in good condition. Based upon its inspections, Soprin ADS estimated that the REIT could spend up to $400,000 for ongoing repairs, maintenance and the replacement of capital items in the next five years. The REIT agrees that the work identified in the engineering report will be required to be completed and intends to complete such repairs, maintenance and replacement of capital items as part of its ongoing maintenance program and as circumstances so require. The REIT has included in the Financial Forecast that portion of the $400,000 referred to in the engineering report as will be required to complete such work during the period covered by the Financial Forecast. See "Environmental and Engineering".

**Acquisition of the Portfolio and Assets by the REIT**

Pursuant to the Purchase Agreements, the REIT will acquire the Portfolio and the Assets from Cominar for a purchase price of $241,037,000, payable as to $58,612,719 in cash, as to $62,000,000 by the issuance to Cominar of 6,200,000 Cominar Units at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering and as to $120,424,281 by the assumption of the Assumed Hypothecs, subject to normal adjustments. It is intended that the withholding requirements of the applicable sale of an enterprise (bulk sale) legislation be complied with in connection with the acquisition of the Portfolio and the Assets, except with respect to the Assumed Hypothecs. An amount equal to 100% of all amounts due at the Property Closing to creditors of Cominar (other than the hypothecary creditors under the Assumed Hypothecs) who have not waived their rights under the applicable sale of an enterprise (bulk sale) legislation will be withheld from the cash portion of the purchase price, deposited with the Depositary, and will be remitted to Cominar or paid by the Depositary on direction of Cominar, as to an amount equal to any such creditor's claim, as and when such creditor's claim is paid or satisfied. See "Acquisition of the Portfolio and Assets by the REIT".

## Summary of Financial Forecast

The selected financial forecast information set forth below is excerpted from the Financial Forecast approved by Management using assumptions with an effective date of May 1, 1998. These assumptions reflect Management's intended course of action, given Management's judgment as to the most probable set of economic conditions. **Some of the assumptions used in the preparation of the financial forecast, although considered reasonable by the REIT at the time of preparation, may prove to be incorrect. The actual results for the forecast period will vary from the forecast results and the variations may be material. See "Financial Forecast".**

### Forecast Net Income and Distributable Income(1)

| | Three Months Ending | | | Nine Months Ending | Three Months Ending | Twelve Months Ending |
|---|---|---|---|---|---|---|
| | June 30, 1998 | September 30, 1998 | December 31, 1998 | December 31, 1998 | March 31, 1999 | March 31, 1999 |
| | (in thousands) | | | | | |
| Operating revenues | $10,057 | $ 10,281 | $ 10,427 | $ 30,765 | $ 10,368 | $ 41,133 |
| Operating expenses | $ 4,391 | $ 4,285 | $ 4,545 | $ 13,221 | $ 4,910 | $ 18,131 |
| Net Operating Income | $ 5,666 | $ 5,996 | $ 5,882 | $ 17,544 | $ 5,458 | $ 23,002 |
| Interest on hypothecs | $ 2,109 | $ 2,101 | $ 2,092 | $ 6,302 | $ 2,083 | $ 8,385 |
| Depreciation and amortization | $ 558 | $ 558 | $ 558 | $ 1,674 | $ 559 | $ 2,233 |
| Operating income from real estate assets | $ 2,999 | $ 3,337 | $ 3,232 | $ 9,568 | $ 2,816 | $ 12,384 |
| Trust expenses | $ 141 | $ 141 | $ 141 | $ 423 | $ 142 | $ 565 |
| Other income | $ 26 | $ 26 | $ 25 | $ 77 | $ 25 | $ 102 |
| Net income | $ 2,884 | $ 3,222 | $ 3,116 | $ 9,222 | $ 2,699 | $ 11,921 |
| Depreciation and interest income on Instalment Receipts | $ 90 | $ 90 | $ 90 | $ 270 | $ 89 | $ 359 |
| Distributable income | $ 2,974 | $ 3,312 | $ 3,206 | $ 9,492 | $ 2,788 | $ 12,280 |

Note:

(1) Based on the REIT acquiring a 100% ownership interest in the Portfolio and the Assets. The revenues are based on leases currently in place. Renewals and leasing of vacant space have been determined on a lease specific basis at current market rates and terms, with no escalation during the forecast period. In 1998, approximately 8.2% of space in the Portfolio is subject to lease renewals. See "Properties".

## Management

The operations and affairs of the REIT will be subject to the control of the Trustees, a majority of whom must have had at least five years substantial experience in the real estate industry and a majority of whom must be Independent Trustees. The Contract of Trust provides for a minimum of nine and a maximum of eleven Trustees. At the Closing, there will be nine Trustees. Cominar will be entitled to appoint four Trustees so long as the percentage of Units that Cominar holds is at least 10% of the Units then outstanding. Certain decisions respecting the REIT must be approved by the Independent Trustees only. The operations and affairs of the REIT will be under the direction of Management. See "Management of the REIT" and "Contract of Trust and Description of Units".

After giving effect to the transfer to the REIT of Cominar's employees, systems and assets relating to the Properties, the REIT's property and asset management functions will be fully internalized and the REIT will operate as a fully-integrated, self-administered and self-managed real estate investment trust. Management believes that internalizing Cominar's employees, systems and assets relating to the Properties will improve the REIT's efficiency and operating performance. See "The REIT", "Management Strategy of the REIT" and "Management of the REIT".

## Investment Guidelines and Operating Policies

The Contract of Trust contains investment guidelines and operating policies. The investment guidelines include, among other things, criteria with respect to the types and locations of properties which the REIT can acquire and the maximum amounts of hypothecary or mortgage loans in which the REIT may invest.

The operating policies address, among other things, the level of the REIT's debt and the requirements for independent property appraisals, insurance coverage and environmental audits. The investment guidelines and certain of the operating policies may only be changed if approved by two-thirds of the votes cast by Unitholders at a meeting called for such purpose. The remaining operating policies may be changed if approved by a majority of the votes cast by Unitholders at a meeting called for such purpose. See "Investment Guidelines and Operating Policies".

## Borrowing

The REIT will not incur or assume any indebtedness under a mortgage or hypothec unless, at the date of the proposed assumption or incurrence of indebtedness, the aggregate of (i) the amount of all indebtedness secured on the immovable property or group of immovable properties subject thereto and (ii) the amount of additional indebtedness proposed to be assumed or incurred does not exceed 75% of the market value of such immovable property or group of immovable properties. In addition, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT (excluding the Instalment Loan) would be more than 60% of the Gross Book Value. The REIT intends to arrange for an Acquisition and Operating Facility with a financial institution primarily for the purpose of funding future immovable property acquisitions and financing the expansion, redevelopment and improvement of its properties and certain operating expenses of the REIT and of its properties from time to time, subject to the Investment Guidelines and Operating Policies of the REIT. See "Management Strategy of the REIT — Debt Management". At no time will indebtedness aggregating more than 12.5% of Gross Book Value (other than trade payables, accrued expenses and distributions payable) be at floating interest rates or have maturities of less than one year, not including debt with an original maturity of one year or more falling due in the next 12 months. The indebtedness of the REIT (excluding the Instalment Loan) immediately following the Closing will be approximately 46% of the Gross Book Value. The REIT intends to maintain its overall indebtedness at less than 50% of the Gross Book Value, although this may vary from time to time depending upon interest rate fluctuations and future acquisitions. Overall interest rates and debt maturities will be reviewed quarterly by the Trustees to ensure that appropriate debt management strategies are implemented. See "Investment Guidelines and Operating Policies".

## Distribution Policy

The REIT will distribute to Unitholders monthly, on or about the 15th 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 also are entitled to receive a distribution on December 31 of each year of: (i) the net realized capital gains of the REIT and the net recapture income of the REIT for the year then ended; and (ii) any excess of the income of the REIT for the purposes of the *Tax Act* over distributions otherwise made for that year. Distributions shall be made in cash. Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees' estimates for the prior periods. If the Trustees anticipate a cash shortfall and determine that it would be in the best interests of the REIT, they may reduce for any period the percentage of Distributable Income to be distributed to Unitholders.

It is the current intention of the REIT to distribute 95% of yearly Distributable Income. Monthly distributions will be based on the Trustees' estimate of yearly Distributable Income, subject to adjustment from time to time throughout the year. See "Distribution Policy".

## Tax Deferral on Distributions

Management estimates that 58% of the distributions to be made by the REIT to Unitholders in 1998 and approximately 69% in 1999 will be tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions. In the year of acquisition of a property, capital cost allowance is restricted to one-half of the normal annual rates. The percentage amount of the tax deferred in 1998 is lower due in part to the "half-year rule" in respect of capital cost allowance under the *Tax Act*. The adjusted cost base of Units held by a Unitholder will generally, subject to certain conditions under the *Tax Act*, be reduced by the non-taxable portion of distributions made to the Unitholder other than the non-taxable portion of certain capital gains. A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount. See "Distribution Policy — Tax Deferral on Distributions in 1998 and 1999" and "Canadian Federal Income Tax Considerations".

**Non-Resident Ownership Restrictions**

The Contract of Trust provides that non-residents of Canada (within the meaning of the *Tax Act*) are precluded from owning a number of Units in excess of 49% of the outstanding Units of the REIT at any time. Accordingly, the REIT will not accept any subscriptions or issue or recognize a transfer of any Units if, after giving effect thereto, more than 49% of the outstanding Units would be held or beneficially owned by persons who are non-residents of Canada. See "Contract of Trust and Description of Units".

**Distribution Reinvestment Plan**

On or following the Closing, subject to regulatory approval, the REIT will adopt a distribution reinvestment plan pursuant to which Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for Units on the stock exchanges on which the Units are listed for the twenty trading days immediately preceding the relevant Distribution Date. See "Distribution Reinvestment Plan".

**Risk Factors**

There are certain risk factors inherent in an investment in the Units and in the activities of the REIT, including risks related to liquidity and potential price fluctuation of the Units, ownership of immovable property, competitiveness for investments, availability of cash flow, government regulation, Unitholder liability, dependence on key personnel, potential conflicts of interest, uninsured losses, changes in legislation, investment eligibility, availability of hypothecary or mortgage financing, environmental matters and dilution arising from the issue of additional Units. See "Risk Factors".

## GLOSSARY

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

***"Acquisition Loan and Operating Facility"*** means the acquisition loan and operating facility which the REIT intends to arrange with a financial institution, primarily for the purpose of funding future immovable property acquisitions and financing the expansion, redevelopment and improvement of its properties and certain operating expenses of the REIT and of its properties from time to time, subject to the Investment Guidelines and Operating Policies of the REIT.

***"Adjusted Unitholders' Equity"*** means, at any time, the aggregate of the amount of Unitholders' equity and the amount of accumulated depreciation recorded in the books and records of the REIT in respect of its properties calculated in accordance with generally accepted accounting principles, plus any discount on the Instalment Receipts receivable.

***"affiliate"*** has the meaning ascribed thereto in the *Securities Act* (Québec), as amended from time to time.

***"Appraiser"*** means, collectively, Drivers Jonas and Dorion, Noël & Hallisey inc.

***"Assets"*** means the movables, fixtures and leasehold improvements owned by Cominar and relating to the Properties, including without limitation, all motor vehicles, equipment, systems, computers (hardware and software), databases, marketing tools, inventories, the trade name "Cominar" and related trade marks, books and records, tools, furniture, generators and maintenance equipment and supplies.

***"associate"*** has the meaning ascribed thereto in the *Canada Business Corporations Act*, as amended from time to time.

***"Associate"*** means, where used to indicate a relationship between an individual and a corporation, an individual who beneficially owns, directly or indirectly, voting securities carrying more than 10% 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 and, where used to indicate a relationship between an individual 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.

***"Assumed Hypothecs"*** means the immovable hypothecs and the indebtedness secured thereby to which the Properties are subject immediately following the Property Closing (after giving effect to the discharge of certain immovable hypothecs by Cominar on or before the Property Closing), which it is anticipated will be the immovable hypothecs set out under "Properties — Assumed Hypothecs".

***"business day"*** means any day other than a Saturday, Sunday or a day on which the principal chartered banks located at Montreal, Québec are not open for business during normal banking hours.

***"Closing"*** means the closing of this Offering.

***"Cominar Trustee"*** means a nominee of Cominar appointed as Trustee as described under "Contract of Trust and Description of Units — Cominar Trustees".

***"Cominar Units"*** means the Units of the REIT to be issued to Cominar in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering.

***"Compensation and Governance Committee"*** means the Compensation and Governance Committee of the Trustees described under "Management of the REIT — Compensation and Governance Committee".

***"Contract of Trust"*** means the contract of trust made as of March 31, 1998, governed by the laws of the Province of Québec, pursuant to which the REIT was established, as amended, supplemented or restated from time to time.

***"Custodian"*** means General Trust of Canada.

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

***"Depositary"*** means General Trust of Canada.

***"Depositary Agreement"*** means the depositary agreement to be dated as of the date of the Closing among Cominar, the REIT and the Depositary described under "Acquisition of the Portfolio and Assets by the REIT — Sale of an Enterprise".

***"Distributable Income"*** means the amount of cash available to be distributed by the REIT, calculated as set out under "Distribution Policy".

***"Distribution Date"*** shall have the meaning ascribed thereto under "Distribution Policy".

***"Distribution Reinvestment Plan"*** means the distribution reinvestment plan of the REIT described under "Distribution Reinvestment Plan".

***"Excluded Property"*** means Cominar's interest in (i) 202,985 square feet of land at two locations in the Greater Québec City Area, (ii) lands in the Greater Québec City Area intended for future residential development, (iii) a joint venture in a 235,000 square foot retail strip mall located in Lévis, Québec, (iv) a property which includes a 5,000 square foot industrial building in the City of Vanier and (v) a residential condominium apartment in Hallandale, Florida, which Management believes are not material to the Portfolio.

***"Greater Québec City Area"*** means the area comprised of the City of Québec, and the City of Sainte-Foy, the City of L'Ancienne-Lorette, the City of Beauport, the City of Charlesbourg, the City of Lévis, the City of Loretteville, the City of Saint-Romuald and the City of Vanier in the vicinity of the City of Québec.

***"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 (excluding the Final Instalment under the Instalment Receipts).

***"immovable hypothec"*** means a secured interest in an immovable property under the laws of the Province of Québec.

***"immovable property"*** means immovable property under the laws of the Province of Québec or real property under other applicable law.

***"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 Cominar or an affiliate thereof; (ii) who is not related (as defined in The Toronto Stock Exchange Guidelines on Corporate Governance) to Cominar; (iii) who is not a person who is a "related person" (within the meaning of the *Tax Act*) in relation to Cominar 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), Cominar and any member of the Dallaire Family; and (v) who represents to the REIT, upon his election or appointment as Trustee, that he meets the foregoing criteria. A Cominar Trustee shall be deemed not to be an Independent Trustee.

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

***"Instalment Loan"*** means the non-revolving term loan in an amount not to exceed the aggregate of the Final Instalments in respect of the Receipt Units sold pursuant to this Offering and the Over-Allotment Option, which the REIT intends to obtain on or prior to the Closing from two Canadian chartered banks and Cominar and to be secured by the Instalment Loan Hypothec.

***"Instalment Loan Hypothec"*** means the first-ranking hypothec and security interest to be granted as of the date of the Closing by the REIT in favour of the lenders providing the Instalment Loan on and in the REIT's rights and entitlements under (i) the Final Instalments under the Receipt Units sold pursuant to this Offering and the Over-Allotment Option and (ii) the pledge of such Receipt Units.

***"Instalment Receipt"*** means an instalment receipt evidencing ownership of Receipt Units sold pursuant to this Offering.

***"Instalment Receipt Agreement"*** means the instalment receipt and pledge agreement to be dated as of the date of the Closing among the REIT, the Underwriters and the Custodian described under "Details of the Receipt Units Offering".

***"Investment Committee"*** means the investment committee of the Trustees described under "Management of the REIT — Investment Committee".

***"License Agreement"*** means the license agreement to be dated as of the date of the Closing between Cominar and the REIT described under "Cominar — Services".

***"Material Contracts"*** means the contracts referred to under "Material Contracts".

***"Non-Competition Agreement"*** means the non-competition agreement to be entered into as of the date of the Closing among the REIT, Cominar, Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire.

***"Offering"*** means the offering of 14,500,000 Units, consisting of 8,300,000 Receipt Units and 6,200,000 Cominar Units, pursuant to this prospectus as described under "Plan of Distribution".

***"Over-Allotment Option"*** means the over-allotment option granted to the Underwriters as described under "Plan of Distribution".

***"Place de la Cité"*** means the 816,617 square foot fully-integrated multi-functional office and retail complex located at 2600 Laurier Boulevard in Sainte-Foy, Québec.

***"Place de la Cité Loan"*** means the term loan in the amount of $80 million, in aggregate, to be arranged by the REIT with a group of institutional lenders on or prior to the Closing and to be secured by an immovable hypothec on Place de la Cité in its entirety.

***"Property Closing"*** means the closing of the transactions contemplated by the Purchase Agreements.

***"Purchase Agreements"*** means the purchase agreement or agreements dated as of the date of the Closing among the REIT and the corporation and partnerships comprising Cominar pursuant to which the REIT is to acquire the Portfolio and the Assets.

***"Receipt Units"*** means the Units of the REIT represented by Instalment Receipts.

***"REIT"*** means Cominar Real Estate Investment Trust and, if applicable, includes corporations wholly-owned, directly or indirectly, by the REIT.

***"Rights Plan"*** means the Unitholders' rights plan of the REIT described under "Unitholders' Rights Plan".

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

***"Trustees"*** means the trustees of the REIT and ***"Trustee"*** means any one of them.

***"Underwriters"*** means TD Securities Inc., Lévesque Beaubien Geoffrion Inc., HSBC James Capel Canada Inc., Midland Walwyn Capital Inc., Research Capital Corporation and Desjardins Securities Inc.

***"Underwriters' Fee"*** means the fee payable to the Underwriters in connection with this Offering pursuant to the Underwriting Agreement described under "Plan of Distribution".

***"Underwriting Agreement"*** means the agreement dated May 8, 1998 among the REIT and the Underwriters.

***"Unit"*** means a unit of interest in the REIT issued from time to time in accordance with the Contract of Trust and includes, without limitation, the Receipt Units and the Cominar Units and, where the context so requires, units of the REIT issued pursuant to the Unit Option Plan, the Distribution Reinvestment Plan or the Rights Plan, and includes a fraction of a unit of the REIT.

***"Unitholder"*** means a holder of Units.

***"Unit Option Plan"*** means the Unit Option Plan of the REIT described under "Management of the REIT — Unit Option Plan".

## THE REIT

Cominar Real Estate Investment Trust (the "REIT") is an unincorporated closed-end investment trust created by the Contract of Trust under, and governed by, the laws of the Province of Québec. The REIT was established on March 31, 1998 to acquire the Portfolio and the Assets from Cominar. The REIT will continue and expand the commercial real estate activities carried on by Cominar, which since 1965 has been engaged in acquiring, redeveloping, developing, renovating, owning, managing and leasing properties in the Greater Québec City Area. Cominar is controlled by members of the Dallaire Family and Cominar Management. See "Cominar". On the Property Closing, the REIT will issue to Cominar 6,200,000 Cominar Units in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering. See "Acquisition of the Portfolio and Assets by the REIT" and "Plan of Distribution". The Cominar Units have the same attributes as the Receipt Units. The Receipt Units and the Cominar Units are collectively referred to herein as the "Units". See "Contract of Trust and Description of Units".

The Portfolio is comprised of 51 office, retail, industrial and mixed use properties located in the Greater Québec City Area, representing, in aggregate, approximately 3.1 million square feet of leasable area. On the Property Closing, the REIT will acquire a 100% ownership interest in the Properties and will also acquire the Assets consisting of all of the systems and assets of Cominar relating to the Properties. In addition, the employees of Cominar relating to the management of the Properties will be transferred to the REIT on the Property Closing. See "Properties" and "Acquisition of the Portfolio and Assets by the REIT".

Going forward, the REIT will seek to acquire properties at a significant discount to replacement cost that present an accretive opportunity to create value and enhance cash flow. Future property acquisitions will be subject to specific investment guidelines and the operation of the REIT will be subject to specific operating policies. See "Investment Guidelines and Operating Policies". The Trustees will be responsible for the general control, direction and management of the REIT. After giving effect to the transfer to the REIT of Cominar's employees, systems and assets relating to the Properties, the REIT's property and asset management functions will be fully internalized and the REIT will operate as a fully-integrated, self-administered and self-managed real estate investment trust. Management believes that internalizing Cominar's employees, systems and assets relating to the Properties will improve the REIT's efficiency and operating performance. See "Management Strategy of the REIT" and "Management of the REIT".

Although it is intended that the REIT will qualify on the Closing as a "mutual fund trust" as defined by the *Tax Act*, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

The head office of the REIT is located at 455 Marais Street, City of Vanier, Province of Québec, G1M 3A2.

## OBJECTIVES OF THE REIT

The following objectives have been approved by the Trustees and may be amended or replaced by the Trustees from time to time. In setting the objectives of the REIT, the Trustees are subject to the investment guidelines and operating policies set out in the Contract of Trust. See "Investment Guidelines and Operating Policies".

The objectives of the REIT are (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent practicable, tax deferred, from investments in a diversified portfolio of income producing properties primarily located in the Greater Québec City Area; and (ii) to improve and maximize Unit value through the ongoing active management of the REIT's properties and through future acquisition of additional income producing properties.

The REIT will manage its assets with an emphasis on growing net rental revenues and occupancy levels within the Portfolio and, where economically viable, exploiting expansion or redevelopment opportunities that offer the REIT an accretive, risk-adjusted rate of return. Growth in cash flow from existing Properties comprising the Portfolio is anticipated to be achieved through: (i) increases in lease rates built into existing leases for the Properties, (ii) improvements in occupancy rates due to economic growth and proactive leasing efforts and (iii) reductions in operating costs.

The REIT will seek to acquire income-producing immovable properties when the projected net yield on acquisition would result in a yield on the outstanding Units greater than the current yield to Unitholders. The REIT intends to concentrate its acquisition activities primarily in the Greater Québec City Area where it can exploit its competitive advantages, and subsequently in Montreal and other markets within the Province of Québec where the REIT can pursue accretive acquisitions that are complementary to the REIT's portfolio and management expertise. Management believes it will be able to implement an investment strategy of acquiring properties to provide additional cash flow and enhance long-term portfolio value.

The continued growth of the REIT achieved through redevelopment and expansion of the Portfolio and future acquisitions will also enable the REIT to further realize economies of scale in the management of its properties.

The REIT will adopt Cominar's conservative approach to its borrowing policies and in general will seek to maintain a combination of short-term, medium-term and long-term debt maturities which are appropriate for the overall debt level of its portfolio, taking into account availability of financing, market conditions and the financial terms of the leases from which the REIT derives its cash flow. Cominar has historically managed its debt maturities by seeking predominantly fixed-rate medium-term debt. Management believes that the REIT will have greater access to sources of financing as a public entity than as a private entity. The REIT expects to issue Units only where such issuances are not considered by the Trustees to be materially dilutive to ensuing annual distributions to existing Unitholders.

Management believes that achieving these objectives will result in an increasingly diverse and stable income stream intended to reduce both risk and volatility in respect of the returns realized by Unitholders.

## COMINAR

Cominar is a fully-integrated real estate organization that owns and manages a diverse portfolio of real estate properties in the Greater Québec City Area. Cominar is controlled by members of the Dallaire Family of Québec City and by Cominar Management.

As one of the largest commercial property owners in the Greater Québec City Area commercial real estate market, Cominar has established a dominant presence and has achieved significant economies of scale. It currently owns a diversified portfolio of 51 office, retail, industrial and mixed use properties, with 842,730 square feet of office space, 1,075,795 square feet of retail space and 1,155,134 square feet of industrial and mixed use space, representing, in aggregate, approximately 3.1 million square feet of leasable area. The Properties comprising the Portfolio are mostly situated in prime locations along major traffic arteries and benefit from high visibility and easy access by both tenants and tenants' customers. Cominar (together with related entities) offers a full range of real estate services, including property and asset management, leasing, accounting, construction and development services, and provides space to over 900 tenancies. Cominar's real estate operations currently employ approximately 120 full-time employees, of which 85 are dedicated to property and asset management and 35 are dedicated to construction and other related services.

Cominar is well-positioned to meet tenants' needs in its key markets. The diversity of properties within the Portfolio in terms of size and property type better enables Cominar to attract new tenants and retain existing tenants, including those tenants with growing and changing space requirements. Cominar is a major owner of Class "A" office space in the Greater Québec City Area, with approximately 18% of the leasable office space in such market, representing approximately 69% of the leasable office space in the sub-market of Sainte-Foy. See "Properties — The Greater Québec City Area — Office Space Market". In addition, Cominar's industrial and mixed use portfolio represents approximately 19% of such leasable area in the Greater Québec City Area. Also, over the past ten years, Cominar has maintained an average occupancy rate for the Portfolio of approximately 93% or more, except for 1994 during which the occupancy rate was at or greater than 91%. As at March 1, 1998, the Portfolio was approximately 94.7% leased. As a result of the dominance and characteristics of its portfolio and its management expertise, Cominar has maintained stable cash flows and has realized consistent growth over such period.

### Background

During its thirty years of existence, Cominar has developed office, retail, industrial and mixed use properties representing, in aggregate, over five million square feet of leasable space and residential properties representing approximately 2,500 residential units.

Cominar was founded in 1965 by Jules Dallaire and commenced operations with the construction and development of residential apartment buildings in the Greater Québec City Area. In 1973, it built and developed one of the first condominium projects in the Province of Québec, the Louisbourg condominium across from the Plaines d'Abraham in Québec City, a 20-storey, 200-unit residential tower. Of the approximately 2,500 residential units developed by Cominar since its inception, 1,500 were managed by Cominar for its own account. As Cominar's experience and reputation for delivering real estate projects on time and on budget grew, it increasingly became involved in larger and more challenging projects that included office, retail, industrial and mixed use properties. From 1973 to date, Cominar developed, on average, four office, retail or industrial properties per year, representing approximately 200,000 square feet per year. In 1986, Cominar commenced the construction and development of Place de la Cité.

Throughout its existence, Cominar has undertaken development, expansion and redevelopment opportunities in order to maintain and improve its portfolio. In addition to building a profitable real estate development business, Cominar recognized and pursued the long term benefits of owning and operating a diversified portfolio of income-producing properties concentrated within a specific regional market. Cominar combined its development experience with a disciplined and conservative financial strategy to increasingly develop build-to-own projects in a variety of income-producing property types for its own account. By adhering to this strategy, Cominar created one of the largest privately owned commercial property portfolios within the Greater Québec City Area. Throughout its existence, Cominar has maintained a conservative borrowing policy and has complied with its financial commitments and covenants.

**Dallaire Family Interests**

Mr. Jules Dallaire is one of the leading entrepreneurs of the Greater Québec City Area. In addition to having successfully built Cominar's real estate portfolio, Mr. Dallaire and his management team have demonstrated the ability to create value in a range of business ventures. These interests have from time to time included:

- a five-store grocery chain, which Mr. Dallaire established with a member of his family and operated under the name "Alimentation Dallaire" (Dallaire Foods). The stores ranged in size from 22,000 to 42,000 square feet and represented, in aggregate, approximately 145,000 square feet of store space. The operations also included a 75,000 square foot wholesale food outlet. The grocery chain and wholesale food outlet were sold to an affiliate of Metro-Richelieu Inc. in 1979, at a time when they were generating approximately $55 million in annual sales revenue and employed approximately 350 persons; and
- a five-store retail furniture chain, with stores ranging in size from 22,000 to 105,000 square feet and representing, in aggregate, approximately 200,000 square feet. The retail furniture chain was sold to Leon's Furniture Ltd. in 1990, at a time when it was generating approximately $48 million in annual sales revenue and employed approximately 200 persons.

These ventures and their success are also examples of Mr. Dallaire's ability to build and run multi-dimensional organizations and to develop a strong management team. These ventures were disposed of in order to allow Cominar to focus its resources on its real estate activities.

**Services**

Cominar places great importance on tenant satisfaction and adheres to a philosophy that "tenants are customers" and that "Cominar provides client services to these customers". To that end, it has implemented certain initiatives which Cominar Management believes serve to attract and retain tenants. A number of these initiatives are described below.

Cominar has invested in management information systems that provide its leasing and property management personnel access to timely and comprehensive information on its properties and properties of its competitors. These computerized information systems include detailed computerized floor plate and space plan measurements for all of Cominar's commercial leasable space. Cominar continues to update and improve these systems. These information systems provide Cominar with the ability to more quickly and accurately reconfigure existing space, design new layouts and estimate tenant improvement costs. In addition, Cominar maintains a comprehensive tenant information database for the Greater Québec City Area real estate market and gathered from various sources that includes lease maturity information on substantially all office, industrial and mixed use properties offering competing space with a net leasable area over 10,000 square feet. These information systems allow Cominar to prioritize and focus its leasing initiatives where it believes the greatest opportunities exist.

Cominar has addressed potential problems underlying the "Year 2000" issue by identifying the operating and information systems and equipment used by Cominar that may require remedial action and by taking the measures necessary to eliminate such problems or limit their impact. Cominar Management believes that the possibility of a malfunction or failure of its operating and information systems which would have a material adverse effect on the REIT, its financial condition or its operations is remote. The management information system currently used by Cominar is "Year 2000" compliant. Cominar is presently upgrading such system to a new platform which is also "Year 2000" compliant.

Cominar pursues innovative energy saving initiatives within its portfolio. Because of the close physical proximity of properties within its portfolio, Cominar is able to combine energy demands for groups of properties to purchase power needs for such properties at rates otherwise available only to significantly larger properties. A significant variable of total power cost to a commercial user is the energy rate imposed based on peak power consumption. Cominar has developed a leading-edge energy management system with computerized controls which can monitor and generate, at variable levels, additional electricity over certain thresholds of power consumption, by using relatively less expensive sources of power. Cominar is also able to utilize this technology for smaller properties on its combined power network. This technology will be licensed to the REIT by Cominar under the License Agreement, which will provide for a non-exclusive right to use this technology for its properties and any improvements thereto for an indefinite term at no cost. Over the past seven years, Cominar has invested over $5 million in its energy supply systems across its portfolio. These investments now result in operating cost savings of $1.5 million a year, which reduce occupancy costs for Cominar properties.

Cominar has also implemented a waste management infrastructure allowing for the recycling of paper waste, generating savings which are applied to further reduce tenants' occupancy costs.

All employees of Cominar's tenants are entitled to participate in a rebate program which has been in place for six years and currently has approximately 7,000 members. This program allows tenants' employees to benefit from savings of between 2% and 10% on all purchases at participating retail tenants. These savings are paid by Cominar and such tenants to member employees every two months. In 1997, approximately $165,000 was paid to approximately 5,000 member employees. Cominar Management believes that this rebate program encourages spending at participating tenants, promotes employee satisfaction and serves to attract and retain tenants.

Cominar's business start-up program, pursuant to which certain prospective tenants are provided with business counselling, marketing and advertising services and assistance in obtaining financing, has permitted the establishment of 54 new businesses in the last two years, all of which became tenants of Cominar.

Cominar publishes and distributes a newsletter to its tenants every two months. This newsletter provides tenants with general business information as well as networking exposure to other tenants within its portfolio through feature articles and free advertising.

## MANAGEMENT STRATEGY OF THE REIT

The REIT believes that commercial real estate is a dynamic investment that requires active and experienced management in order to maximize total returns and minimize risk for Unitholders. The REIT believes that this objective can best be achieved through a comprehensive and proactive management strategy intended to enhance the operating and financial performance of the REIT. Specifically, the REIT intends to:

- grow net rental revenues and occupancy levels within the Portfolio and, where economically viable, exploit expansion or redevelopment opportunities for long-term value appreciation; and
- seek accretive acquisitions, expansion and redevelopment opportunities for long-term value appreciation, firstly within the Greater Québec City Area and secondly in the greater Montreal area and other markets within the Province of Québec where the REIT can capitalize on Cominar's development expertise and strong institutional, business and tenant relationships.

### Market Dominance

The REIT will inherit Cominar's dominant presence in the Greater Québec City Area by virtue of the size of the Portfolio, the concentration and diversity of the Properties and the attractiveness of their locations, all of which increase the likelihood that the REIT will discuss leasing opportunities with most prospective commercial tenants within such market. The ongoing strategy of the REIT will be to maintain its dominant position as well as to capitalize on other real estate investment opportunities. The REIT also believes that there is significant growth potential for cash flows and value appreciation from other properties located in the Greater Québec City Area and elsewhere in the Province of Québec. Such properties have remained relatively under-represented in the portfolios of most Canadian publicly-traded real estate companies and real estate investment trusts and therefore constitute attractive investment opportunities for the REIT. The supply of leasable space in these markets has remained virtually unchanged in the last five years. The REIT believes that such supply is unlikely to increase substantially over the near term primarily because new construction is generally not economically feasible given the current market rental rates, other than for certain industrial properties, and the lead time for such new construction generally exceeds one to two years depending on the type and size of property. This market environment presents the REIT with the opportunity to acquire properties at a discount to replacement cost representing an attractive opportunity to create value and enhance cash flow through a proactive management strategy that includes repositioning and renovating underperforming assets. The REIT believes that the significant experience of Management in property development, redevelopment, management and leasing provides it with the expertise necessary to identify, up-grade, renovate and reposition underperforming properties that will complement the Portfolio and create long-term value appreciation to Unitholders.

**Align Interests of Management and the REIT**

The REIT will operate as a fully integrated, self-administered, self-managed real estate operation and will not be subject to any third party management contracts or property management fees, which the REIT believes reduces the potential for conflict between the interests of Management and the REIT. The REIT believes that by adopting a fully internalized management structure, the interests of Management and employees will be aligned with those of Unitholders and will result in improved operating and financial performance for the REIT. The REIT will benefit from the experience and expertise of all executives and employees of Cominar, whose employment will be assumed by the REIT at the Property Closing. See "Management of the REIT". The REIT also believes that interests of Management will be further aligned with those of Unitholders through the granting of options under the Unit Option Plan. The Unit Option Plan provides an incentive for key management personnel to increase the REIT's cash flow and Unit value. Participation in this Plan will be limited to Trustees (subject to applicable law), officers and employees of the REIT. See "Management of the REIT — Unit Option Plan".

**Competitive Strengths**

The REIT intends to capitalize on the following strengths and competitive advantages of the Portfolio and Management:

- privileged relationships with its existing tenant base which allow Management to identify and fulfil tenants' needs for expansion or contraction of space;
- ability to identify and close acquisition opportunities;
- strategic alliances with suppliers and innovative cost control measures which reduce or limit the rate of increase in operating costs, such that gross rents continue to be competitive;
- strong relationships with financial institutions, which facilitate access to financing on favourable commercial terms and which may provide for acquisition and joint venture investment opportunities;
- management information systems that include comprehensive and proprietary tenant information for each Property within the Portfolio and for competing office, industrial and mixed use properties within the Greater Québec City Area real estate market; and
- Cominar Management's development and redevelopment expertise and capability, providing the REIT with the ability to undertake expansion and redevelopment opportunities in compliance with the Investment Guidelines and Operating Policies of the REIT.

**Balanced Portfolio**

The REIT will seek to maintain a balanced portfolio based on asset type and property characteristics consistent with its existing portfolio, but also in line with evolving market conditions. Management believes this strategy will provide the REIT with a diversified tenant base, reduce cash flow volatility and increase potential capital appreciation.

## Debt Management

The REIT will seek to maintain a combination of short-term, medium-term and long-term debt maturities which are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial terms of the leases from which the REIT derives its cash flow. Cominar has historically managed its debt maturities by seeking predominantly fixed-rate medium-term debt and by maintaining a conservative level of debt relative to Gross Book Value. The REIT intends to arrange for the Acquisition and Operating Facility with a financial institution primarily for the purpose of funding future immovable property acquisitions and financing the expansion, redevelopment and improvement of its properties and certain operating expenses of the REIT and of its properties from time to time, subject to the Investment Guidelines and Operating Policies of the REIT. Management believes that the REIT will have greater access to sources of financing as a public entity than it would as a private entity. See "Investment Guidelines and Operating Policies".

# PROPERTIES

The Portfolio which the REIT will acquire consists of 51 office, retail, industrial and mixed use properties located in the Greater Québec City Area. The Portfolio is comprised of all of the Properties owned by Cominar (other than the Excluded Property) and consists of 842,730 square feet of office space, 1,075,795 square feet of retail space and 1,155,134 square feet of industrial and mixed use space, representing, in aggregate, approximately 3.1 million square feet of leasable area. The Properties comprising the Portfolio are mostly situated in prime locations along major traffic arteries and benefit from high visibility and easy access by both tenants and tenants' customers. On the Property Closing, the REIT will acquire a 100% ownership interest in each of the Properties, including a 100% ownership interest in all of the lands comprising the Properties. There are no land leases on any of the Properties comprising the Portfolio. The Properties are generally well-maintained and in good operating condition.

## Overview of Portfolio

The following table summarizes the distribution of the appraised values and estimated replacement cost of the Properties by asset class:

### Distribution by Asset Class

| | | Area | | Appraised Value | | | | |
|---|---|---|---|---|---|---|---|---|
| Property Type | Number of Properties(1) | Area (Square Feet) | % | Appraised Value(2) (000s) | % | Appraised Value per Square Foot(3) | Estimated Replacement Cost per Square Foot(4) | Appraised Value as a % of Estimated Replacement Cost |
| Office Properties(5) | 8 | 842,730 | 27.4 | $78,305 | 32.5 | $92.92 | $114.80 | 80.9% |
| Retail Properties(6)(7) | 13 | 1,075,795 | 35.0 | $123,992 | 51.4 | $115.26 | $140.05 | 82.3% |
| Industrial and Mixed Use Properties | 30 | 1,155,134 | 37.6 | $38,740 | 16.1 | $33.54 | $47.93 | 70.0% |
| Total Portfolio | 51 | 3,073,659 | 100.0 | $241,037 | 100.0 | $78.42 | $98.50 | 79.6% |

Notes:

(1) Place de la Cité has been included in the Retail Properties category.

(2) As determined by the Appraiser.

(3) Derived by Cominar Management from the allocation as determined by reference to the appraised value of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(4) Derived by Cominar Management from the allocation as determined by reference to the Appraiser's estimated replacement cost of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(5) Includes 428,354 square feet of office space at Place de la Cité, except as to "Number of Properties" information.

(6) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(7) Carrefour Charlesbourg in Charlesbourg, Québec includes four adjacent residential properties to be used for future expansion of parking at Carrefour Charlesbourg.

The following table summarizes the distribution of Net Operating Income for the year ended December 31, 1997 of the Properties by asset class:

**Net Operating Income**

| Property Type | Area | Net Operating Income for the Year Ended December 31, 1997(1) | |
|---|---|---|---|
| | % | (000s) | % |
| Office Properties(2) | 27.4% | $6,717 | 31.8% |
| Retail Properties(3)(4) | 35.0% | $10,625 | 50.3% |
| Industrial and Mixed Use Properties | 37.6% | $3,781 | 17.9% |
| Total Portfolio | 100.0% | $21,123 | 100.0% |

Notes:

(1) Management's allocation of the Net Operating Income for the year ended December 31, 1997 set forth in the audited Combined Statement of Income before Income Taxes and Cash Flows from Operations. See "Combined Statement of Income before Income Taxes and Cash Flows from Operations".

(2) Includes 428,354 square feet of office space at Place de la Cité.

(3) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(4) Carrefour Charlesbourg in Charlesbourg, Québec includes four adjacent residential properties to be used for future expansion of parking at Carrefour Charlesbourg.

**Leasing Activity**

As of March 1, 1998 the Portfolio was approximately 94.7% leased. The average remaining lease term from March 1, 1998 is approximately 4.2 years. In each of 1998 and 1999, approximately 8.2% and 12.6%, respectively, of the space in the Portfolio is subject to lease renewals. Management believes that in 1998 the occupancy rate for the Portfolio will be maintained at or marginally higher than the current rate. Management also believes that, overall, its average net rental rates will increase in 1998 over lease expiries.

The REIT will continue the proactive leasing program which has historically maintained the Portfolio's occupancy levels consistently higher than market. A high proportion of the space leased each year, 75% in 1996 and 69% in 1997, is leased for renewals or expansion space for existing tenants.

The REIT believes that it can continue to optimize the benefits of both net leases and gross leases across the Portfolio. The type of lease depends on various factors, including the characteristics of each Property, economic conditions, tenant preference and competitive factors. Approximately 43% of the Portfolio is leased pursuant to gross leases. The gross leases contain provisions that adjust gross rental rates, excluding property taxes, by an equivalent percentage amount to the percentage change to the consumer price index over the term of the lease. These leases also provide for a further adjustment in an amount sufficient for the REIT to recover from tenants increases in taxes over the term of the lease. The REIT's ability to control and reduce operating costs allows it to place greater emphasis on leasing under gross leases. Due to the significant proportion of gross leases in the Portfolio, the REIT believes it is well positioned to directly benefit from further reductions in operating costs and any increase in operating costs at a rate lower than the rate of increase in the consumer price index. In addition, the REIT believes that the Properties have benefited from the implementation of cost saving measures so that the Properties are competitive relative to comparable competing properties, while continuing to maintain a high quality of service.

The Portfolio has a diversified tenant mix with over 900 tenancies. The three most significant tenants, in terms of annualized gross rents as a percentage of gross operating revenues for the twelve month period ending March 31, 1999, are the Québec government (which includes 12 separate leases) at approximately 11.4%, a Canadian chartered bank at 2.4% and Leon's Furniture Ltd. at 2.3%. A significant portion of the Québec government's tenant leases, representing approximately 62% of annualized gross rents of such leases, does not mature before the end of the year 2003.

For the twelve-month period ending December 31, 1997, 617,502 square feet of space was leased in the Portfolio representing an increase of 8.7% and 28.1% over the same periods ending in 1996 and 1995, respectively. Leasing momentum has continued since the beginning of 1998, where during the months of January and February, 159,301 square feet of space was leased representing an increase of 77% over the same period in 1997. A significant proportion of leasing activity results from lease renewal or expansion of existing tenants. The following table sets out the leasing activity for the years ended December 31, 1995, 1996 and 1997 and the two-month period ending February 28, 1998, by category in terms of new tenant leases, and renewals and expansions:

| | New Leases | | Renewals and Expansions | | Total Leases | | |
|---|---|---|---|---|---|---|---|
| **Period** | **Area (Square Feet)** | **Number of Tenants** | **Area (Square Feet)** | **Number of Tenants** | **Area (Square Feet)** | **Number of Tenants** | **Occupancy** |
| 1995 | 207,115 | 82 | 274,977 | 117 | 482,092 | 199 | 94.4% |
| 1996 | 139,464 | 66 | 428,454 | 115 | 567,918 | 181 | 93.4% |
| 1997 | 192,962 | 76 | 424,540 | 118 | 617,502 | 194 | 93.1% |
| 1998(1) | 49,334 | 19 | 109,967 | 33 | 159,301 | 52 | 94.7% |

Note:

(1) The 1998 year to date reflects leasing activity for January and February of 1998 and occupancy adjusted to reflect recent leasing activity where space is leased, but not yet occupied.

Management believes that the percentage change in the average net rental rate on renewal leases relative to the rate at which these leases expired is an important performance indicator for the Portfolio. For the fiscal years ended October 31, 1995, 1996 and 1997, average net rental rates increased by approximately 7.2%, 7.9% and 8.5% respectively for renewals relative to expiry rates. The following table summarizes the lease renewal activity in relation to the Portfolio as at March 1, 1998:

**Average Leasing Costs**

| | Office[1] | Retail[2] | Industrial and Mixed Use | Total |
|---|---|---|---|---|
| **Total Leasable Area** (square feet) | 842,730 | 1,075,795 | 1,155,134 | 3,073,659 |
| **Occupancy** | 93.8% | 94.8% | 95.4% | 94.7% |
| **Weighted Average Net Rent** (per square foot) | $9.37 | $11.24 | $4.03 | $8.00 |
| **Lease Renewals:** | | | | |
| **Number of tenants** | | | | |
| 1995 | 14 | 28 | 45 | 87 |
| 1996 | 17 | 29 | 45 | 91 |
| 1997 | 24 | 24 | 43 | 91 |
| **Area** (square feet) | | | | |
| 1995 | 38,317 | 39,643 | 136,023 | 213,983 |
| 1996 | 81,372 | 87,939 | 220,167 | 389,478 |
| 1997 | 118,469 | 83,511 | 176,402 | 378,382 |
| **Weighted Average Net Rent on Expiries** (per square foot) | | | | |
| 1995 | $6.67 | $15.09 | $4.12 | $6.61 |
| 1996 | $8.10 | $14.99[3] | $3.96 | $7.32 |
| 1997 | $7.34 | $16.89[4] | $4.21 | $7.99 |
| **Weighted Average Net Rent for New Leases** (per square foot) | | | | |
| 1995 | $7.60 | $16.32 | $4.25 | $7.09 |
| 1996 | $7.94 | $16.79[5] | $4.33 | $7.90 |
| 1997 | $8.02 | $18.48[5] | $4.47 | $8.67 |
| **Average Leasing Costs**[6] (per square foot) | | | | |
| 1995 | $1.12 | $0.34 | $0.66 | $0.68 |
| 1996 | $1.23 | $0.33[7] | $0.60 | $0.73 |
| 1997 | $1.24 | $0.35[7] | $0.43 | $0.73 |
| **Average Term** (years, months) | | | | |
| 1995 | 4.0 | 5.3 | 3.3 | 3.8 |
| 1996 | 4.0 | 4.6 | 3.2 | 3.7 |
| 1997 | 4.1 | 4.8 | 3.3 | 3.9 |

Notes:

(1) Includes 428,354 square feet of office space at Place de la Cité.

(2) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(3) The average net rent does not reflect 38,030 square feet of space leased by an anchor tenant. If such tenant were included, the average net rent would be $7.24 per square foot.

(4) The average net rent does not reflect 36,395 square feet of space leased by an anchor tenant. If such tenant were included, the average net rent would be $11.67 per square foot.

(5) The average net rent does not reflect lease renewals in respect of 38,030 square feet of space leased by an anchor tenant in 1996 and 36,395 square feet of space leased by an anchor tenant in 1997. If such tenants were included, the average net rent per square foot would be $12.94 per square foot in 1996 and $14.24 per square foot in 1997.

(6) Leasing costs include tenant allowances, tenant free rent, brokerage fees and other similar costs.

(7) The average leasing cost does not reflect lease renewals in respect of 38,030 square feet of space leased by an anchor tenant in 1996 and 36,395 square feet of space leased by an anchor tenant in 1997. If such tenants were included, the average leasing costs would be $0.58 per square foot in 1996 and $0.62 per square foot in 1997.

Cominar has had as its objective to optimize net effective rents by seeking leasing opportunities that minimize the capital cost and risk involved in tenant inducements. Net effective rent is net rent adjusted to reflect the amortization of tenant inducements over the term of the lease.

The following table sets forth the lease maturities for the Portfolio:

**Lease Maturities[1]**

| | Office[2] | Retail[3] | Industrial and Mixed Use | Total |
|---|---|---|---|---|
| **Number of Tenants** | | | | |
| 1998 | 22 | 68 | 38 | 128 |
| 1999 | 38 | 45 | 50 | 133 |
| 2000 | 27 | 45 | 27 | 99 |
| 2001 | 24 | 68 | 27 | 119 |
| 2002 | 16 | 43 | 16 | 75 |
| **Area** | | | | |
| (square feet) | | | | |
| 1998 | 79,783 | 88,576 | 84,230 | 252,589 |
| 1999 | 84,613 | 100,051 | 201,980 | 386,644 |
| 2000 | 123,288 | 91,715 | 121,679 | 336,682 |
| 2001 | 69,387 | 230,735 | 111,295 | 411,417 |
| 2002 | 99,730 | 149,357 | 69,770 | 318,857 |
| **Weighted Average Net Rent** | | | | |
| (per square foot) | | | | |
| 1998 | $9.21 | $11.78 | $3.97 | $8.36 |
| 1999 | $7.96 | $12.12 | $4.60 | $7.28 |
| 2000 | $11.56 | $12.03 | $4.53 | $9.15 |
| 2001 | $8.41 | $9.40 | $4.94 | $8.03 |
| 2002 | $8.59 | $12.08 | $4.76 | $9.39 |

Notes:

(1) Information given for twelve months ending December 31 of each calendar year.

(2) Includes maturities for leases of office space at Place de la Cité.

(3) Includes maturities for leases of retail space at Place de la Cité.

### Maintenance, Repairs and Upgrades

Cominar has spent approximately $26 million on the renovation, repair and redevelopment of the Portfolio over the past five years. Of that amount, approximately $6 million was spent on renovations, repairs and upgrades as part of its ongoing property maintenance program. The balance of approximately $20 million was invested by Cominar on the redevelopment and expansion of Place de la Cité in the years 1993 through 1995. Management estimates that approximately $2.32 million will be required to be expended over the next five years for maintenance, repair and upgrades for the Portfolio including those items set forth in Soprin ADS' February 1998 engineering report. Approximately $1,345,000 of such amount of $2.32 million is estimated to be recoverable from tenants. The REIT and Cominar Management believe that the Properties are in a good state of repair. See "Environmental and Engineering".

An additional $5 million was spent by Cominar on energy supply systems across the Portfolio over the past seven years, which now result in operating cost savings of $1.5 million a year, thus reducing occupancy costs for Cominars' properties. See "Cominar — Services".

### Assumed Hypothecs

The Portfolio is conservatively leveraged, with predominantly fixed rate debt. The indebtedness of the REIT (excluding the Instalment Loan) immediately following the Closing will be approximately 46% of the Gross Book Value. The timing of lease maturities and debt maturities is structured to minimize the potential adverse consequences of an inability to refinance maturing debt. The weighted average interest rate pursuant to the Assumed Hypothecs is approximately 7.1% per annum and the weighted average term to maturity of the Assumed Hypothecs is approximately 4.3 years.

The following table summarizes the immovable hypothecs which are proposed to constitute the Assumed Hypothecs and be in place on the Properties immediately following the Property Closing after giving effect to the utilization by Cominar of a portion of the cash proceeds from the sale of the Portfolio and the Assets to discharge certain immovable hypothecs. These are estimates of Cominar Management, based on the current status of negotiations with lenders of terms expected to be in place at the Closing. This table assumes a date of Closing of April 1, 1998. This table also assumes that the Place de la Cité Loan, an $80 million five-year fixed-rate term loan maturing in April 2003 to be secured by a hypothec on Place de la Cité in its entirety, will be arranged with a group of institutional lenders prior to the Closing. For the purposes of this table, the interest rate for such term loan has been assumed to be 6.7%. The Closing is conditional upon the entering into of the Place de la Cité Loan at a commercially prevailing rate of interest for commercial loans in Canadian dollars in Canada. At the Property Closing, 19 Properties having an aggregate most probable price of $60,157,000 will be free and clear of immovable hypothecs and similar encumbrances and will be available as security for future financing by the REIT. All figures in the following table are based on a 100% ownership interest in the Properties.

| Properties | Balance to be Outstanding as at Property Closing | Interest Rate | Maturity Date |
|---|---|---|---|
| Place de la Cité — 2600, boulevard Laurier, Sainte-Foy[(1)] | $ 80,000,000 | 6.7% | April, 2003 |
| ***Office Properties*** | | | |
| 3175, chemin des Quatre-Bourgeois, Sainte-Foy | $ 6,337,953 | 8.375% | March, 2001 |
| 979, avenue de Bourgogne, Sainte-Foy | $ 4,159,207 | 9.75% | June, 2002 |
| 455, rue Marais, Vanier | $ 2,902,758 | 8.625% | August, 2001 |
| 4605-25-35, 1ère Avenue, Charlesbourg | $ 1,357,273 | 6.5% | April, 2001 |
| ***Retail Properties*** | | | |
| 1400, avenue St-Jean-Baptiste, Québec | $ 2,818,337 | 6.5% | April, 2001 |
| 2160, boulevard de la Rive-Sud, Saint-Romuald | $ 1,277,433 | 6.5% | April, 2001 |
| 355, rue Marais, Vanier | $ 1,367,333 | 10.75% | December, 1999 |
| 550, rue Marais, Vanier | $ 956,842 | 7.9% | May, 2001 |
| 329, rue Seigneuriale, Beauport | $ 378,087 | 8.135% | September, 2002 |
| 1970, avenue Chauveau, Québec | $ 233,010 | 8.125% | October, 2003 |
| 1371, chemin Sainte-Foy | $ 369,984 | 10.75% | December, 1999 |
| 325, rue Marais, Vanier | $ 4,224,144 | 8.0% | March, 1999 |

| Properties | Balance to be Outstanding as at Property Closing | Interest Rate | Maturity Date |
|---|---|---|---|
| ***Industrial and Mixed Use Properties*** | | | |
| 2195, boul. de la Rive-Sud, Saint-Romuald | $ 297,362 | 5.25% | March, 2002 |
| 955, rue St-Jean-Baptiste, Québec | $ 864,637 | 10.75% | December, 1999 |
| 2100, boul. Jean-Talon Nord, Sainte-Foy | $ 723,882 | 10.75% | December, 1999 |
| 2025, rue Lavoisier, Sainte-Foy | $ 1,021,478 | 10.75% | December, 1999 |
| 320, chemin de la Canardière, Québec | $ 427,142 | 6.5% | April, 2001 |
| 2022, rue Lavoisier, Sainte-Foy | $ 1,500,984 | 6.5% | April, 2001 |
| 4975, rue Rideau, Québec | $ 965,176 | 10.75% | December, 1999 |
| 280, rue Racine, Loretteville | $ 798,396 | 6.5% | April, 2001 |
| 2150, rue Jean-Talon Nord, Sainte-Foy | $ 582,829 | 6.5% | April, 2001 |
| 2955, rue Kepler, Sainte-Foy | $ 417,159 | 7.5% | May, 1999 |
| 4175, boulevard Ste-Anne, Beauport | $ 665,766 | 8.625% | March, 2001 |
| 5125, rue Rideau, Québec | $ 271,455 | 6.5% | April, 2001 |
| 5000, rue Rideau, Québec | $ 315,486 | 7.8% | January, 2001 |
| 1750-90, avenue Newton, Québec | $ 1,397,193 | 6.5% | April, 2001 |
| 830, avenue Godin, Vanier | $ 1,077,834 | 6.5% | April, 2001 |
| 2345, rue Dalton, Sainte-Foy | $ 974,043 | 6.5% | April, 2001 |
| 2385, rue Watt, Sainte-Foy | $ 782,428 | 6.5% | April, 2001 |
| 625, rue des Canetons, Québec | $ 623,343 | 10.75% | December, 1999 |
| 905, avenue Ducharme, Vanier | $ 335,327 | 6.5% | April, 2001 |
| Total | $120,424,281 | | |

Note:

(1) Reflects terms and conditions which Management estimates will be in place on or before the Closing.

The following table summarizes the debt maturities of the Assumed Hypothecs:

**Debt Maturities(1) (2) (3)**

| | Office | Retail | Industrial and Mixed Use | Total |
|---|---|---|---|---|
| | (in thousands, except percentages and years) | | | |
| **Debt Maturities** | | | | |
| 1998 | — | — | — | — |
| 1999 | — | $ 5,643 | $ 4,254 | $ 9,897 |
| 2000 | — | — | — | — |
| 2001 | $ 9,175 | $ 4,285 | $ 7,319 | $ 20,779 |
| 2002 | $ 3,769 | $ 488 | — | $ 4,257 |
| **Weighted Average Interest Rate on Assumed Hypothecs** | 7.24% | 6.95% | 7.96% | 7.1% |
| **Weighted Average Term to Maturity on Assumed Hypothecs** | 4.5 years | 4.4 years | 2.5 years | 4.3 years |

Notes:

(1) Estimates of Cominar Management, based on the current status of negotiations with lenders of terms expected to be in place at the Closing. This table assumes a date of Closing of April 1, 1998. This table also assumes that the Place de la Cité Loan, an $80 million five-year fixed-rate term loan maturing in April 2003 to be secured by a hypothec on Place de la Cité in its entirety, will be arranged with a group of institutional lenders prior to the Closing. For the purposes of this table, the interest rate of the Place de la Cité Loan has been assumed to be 6.7%. The Closing is conditional upon the entering into of the Place de la Cité Loan at a commercially prevailing rate of interest for commercial loans in Canadian dollars in Canada.

(2) The Place de la Cité Loan has been allocated by Cominar Management, based on the appraised value of Place de la Cité, as to $34.4 million to the Office Properties category and as to $45.6 million to the Retail Properties category.

(3) Excluding the Instalment Loan.

## Summary of the Properties

The following table summarizes certain aspects of each of the Properties[1]:

| Property | Year Built/ Renovated | Leasable Area (Square Feet) | % Leased | Net Rent per Square Foot[2] | Selected Tenants[3] |
|---|---|---|---|---|---|
| ***Office Properties*** | | | | | |
| Place de la Cité, 2600, boul. Laurier, Sainte-Foy | 1964/1970/ 1982/1988/ 1993 | 428,354 | 98.4 | $11.04 | Régie des rentes du Québec (Québec Pension Plan), Télé-Université (Université du Québec), Joli-Coeur Lacasse (law firm), The Great West Life Insurance Company, Canada Mortgage and Housing Corporation, Société québécoise d'exploration minière (a Québec Crown corporation), Institut national de la recherche scientifique (Université du Québec), Price Waterhouse, Metropolitan Life Insurance Company, Air Transat, TD Evergreen, The Manufacturers' Life Insurance Company, Commercial Union Insurance Company, Zurich Life Insurance Company |
| 3175, chemin des Quatre-Bourgeois, Sainte-Foy | 1990 | 99,755 | 92.5 | $ 8.78 | Public Works Canada, Groupe Berclain Inc., division of BAAN Company N.V. |
| 979, avenue de Bourgogne, Sainte-Foy | 1976/1988/ 1996 | 67,154 | 83.3 | $ 8.34 | General Motors Acceptance Corporation, Société du crédit agricole (farmers' credit union), Office de protection des personnes handicapées du Québec (handicapped persons' protection office) |
| 2014, boul. Jean-Talon nord, Sainte-Foy | 1979/1997 | 61,556 | 75.3 | $ 5.61 | Canadian Automobile Association (Québec), Tie Communications Ltd., Optel Technologies Inc., Leica Canada Inc. |
| 455, rue Marais, Vanier | 1977/1997 | 61,207 | 95.4 | $ 7.86 | Immeubles Cominar Inc., Industrial Alliance Life Insurance Company, Société d'assurance automobile du Québec (Québec automobile insurance corporation) |
| 4605-25-35, 1ère Avenue, Charlesbourg | 1979/1993 | 40,336 | 89.3 | $ 6.46 | Industrial Alliance Life Insurance Company, a Canadian chartered bank, Beneficial Canada, Subway (restaurant) |
| 2200, rue Jean-Talon nord, Sainte-Foy | 1965/1986/ 1996 | 29,816 | 91.6 | $ 5.74 | Quebectel A.M.I. Inc. |
| 5075, boul. Wilfrid-Hamel ouest, Québec | 1980/1994 | 28,055 | 93.0 | $ 7.54 | CEM Consultants Inc., Au Vieux Duluth (restaurant) |

| Property | Year Built/ Renovated | Leasable Area (Square Feet) | % Leased | Net Rent per Square Foot[2] | Selected Tenants[3] |
|---|---|---|---|---|---|
| 5055, boul. Wilfrid-Hamel ouest, Québec | 1979/1996 | 26,497 | 100.0 | $ 6.69 | Matériaux Blanchet Inc., Association manufacturière du bois de sciage du Québec (Québec lumber manufacturers' association), Progisys Inc. |
| Sub-Total (Office) | | 842,730 | 93.8 | $ 9.37 | |
| ***Retail Properties*** | | | | | |
| Place de la Cité, 2600, boul. Laurier, Sainte-Foy | 1964/1970/ 1982/1988/ 1993 | 388,263 | 94.6 | $15.88 | Leon's Furniture Ltd., Caisse populaire Desjardins (Desjardins credit union), General Trust of Canada, Benetton, Roots, Old River, Dack's Shoes, L'Aventurier, New Look, Dans un Jardin, Uniprix (pharmacy), Restaurant Le Beaugarte, Club Entrain (health and recreational centre), Canadian Automobile Association (Québec), Fiducie Desjardins (Desjardins Trust), Desjardins Securities Inc., Lévesque Beaubien Geoffrion Inc., Household Finance Corporation, Disnat Investments Inc. |
| Carrefour Charlesbourg, 8500, boul. Henri-Bourassa, Charlesbourg[4] | 1976/1988/ 1995/1996 | 265,036 | 96.2 | $ 9.28 | Métro (grocery store), Pharmacie Brunet (pharmacy), Sports Experts, Radio Shack, a Canadian chartered bank, Caisse populaire Desjardins (Desjardins credit union), Industrial Alliance Life Insurance Company, Travail Québec (Québec employment office) |
| Halles Fleur-de-Lys, 245, rue Soumande, Vanier | 1978/1984/ 1994 | 89,808 | 92.9 | $10.60 | Marché Plus (grocery store), Société des alcools du Québec (liquor store), Uniprix (pharmacy), Restaurant Pacini, Caisse populaire Desjardins (Desjardins credit union) |
| 325, rue Marais, Vanier | 1991 | 77,517 | 90.9 | $ 8.26 | Toshiba, AT&T, Restaurant Thomas Tam, Kit à Tout (furniture store) |
| 1400, avenue St-Jean-Baptiste, Québec | 1979/1995 | 102,700 | 98.2 | $ 5.46 | Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian chartered bank, Société de l'Assurance Automobile du Québec |
| 2160, boul. de la Rive-Sud, St-Romuald | 1971/1978/ 1996 | 74,966 | 87.4 | $ 5.09 | Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union), Vidéo Éclair |
| 355, rue Marais, Vanier | 1990 | 37,178 | 100.0 | $ 7.82 | Schneider Canada Inc., Piscines et Patios du Québec, Duro Vitres d'Auto |
| 550, rue Marais, Vanier | 1995 | 16,627 | 100.0 | $10.03 | J.B. Lefebvre Ltée, Eaton Yale Ltd., Play It Again Sports |
| 5, Place Orléans, Beauport | 1978/1985 | 5,792 | 100.0 | $15.66 | a Canadian chartered bank |
| 329, rue Seigneuriale, Beauport | 1992/1997 | 3,792 | 100.0 | $17.88 | Lebeau Vitres d'Auto |
| 1365-1369, chemin Sainte-Foy, Québec | 1950/1983 | 5,491 | 100.0 | $13.18 | Immeubles Couche-Tard Inc. (convenience store) |

| Property | Year Built/ Renovated | Leasable Area (Square Feet) | % Leased | Net Rent per Square Foot[2] | Selected Tenants[3] |
|---|---|---|---|---|---|
| 2195, boul. de la Rive-Sud, St-Romuald | 1977/1985 | 6,225 | 100.0 | $ 9.64 | a Canadian chartered bank |
| 1970, avenue Chauveau, Québec | 1970/1983 | 2,400 | 100.0 | $15.79 | Provi-Soir Inc. (convenience store) |
| Sub-Total (Retail) | | 1,075,795 | 94.8 | $11.24 | |
| ***Industrial and Mixed Use Properties*** | | | | | |
| 1990, rue Jean-Talon nord, Sainte-Foy | 1976-1977 /1995-1996 | 88,843 | 93.2 | $ 4.99 | Caractera Inc., Refac Inc. (Westburne), Xerox Canada Ltd., RJR McDonald Inc., Rothmans Benson & Hedges Inc. |
| 320, chemin de la Canardière, Québec | 1980/1993 | 12,777 | 80.0 | $ 7.73 | Centre communautaire juridique de Québec (legal aid) |
| 1515, avenue St-Jean-Baptiste, Québec | 1979/1989 | 61,771 | 100.0 | $ 4.23 | Barnabé Meubles (1983) Inc. (furniture store), Centre d'estimation de la Capitale Inc., Aérobic Technologies Inc. |
| 2022, rue Lavoisier, Sainte-Foy | 1978 | 59,249 | 95.1 | $ 4.46 | Crobel Ltée, Otis Canada, RBA Inc., Radio-Canada, Essilor Canada Ltée, Tried Ltd. |
| 100, rue Chabot, Vanier | 1968/1986 | 107,000 | 100.0 | $ 1.87 | Leon's Furniture Ltd. |
| 2160, rue Jean-Talon nord, Sainte-Foy | 1965/1981/ 1994 | 45,151 | 80.6 | $ 4.88 | Meubles Jacques Gaulin Inc. (furniture store), Opération Enfants Soleil |
| 4975, rue Rideau, Québec | 1990 | 32,861 | 59.5 | $ 4.24 | Canadian Industrial Distributors Inc., Ikon Solutions, Les Portes Baril |
| 2020, rue Jean-Talon nord, Sainte-Foy | 1968 | 41,133 | 100.0 | $ 2.33 | Brunswick Corporation Ltd. |
| 280, rue Racine, Loretteville | 1984/1986 | 18,801 | 100.0 | $ 9.50 | a Canadian chartered bank, Canada Post Corporation |
| 2025, rue Lavoisier, Sainte-Foy | 1978/1983 1990 | 37,078 | 94.8 | $ 4.42 | Telav Inc., General Motors of Canada, Installation Réseaux M.I.R. Inc. |
| 2100, rue Jean-Talon nord, Sainte-Foy | 1962/1975/ 1995 | 31,316 | 100.0 | $ 4.23 | Bagel Tradition'l, Toledo Scale Inc., Sico Inc. |
| 2150, rue Jean-Talon nord, Sainte-Foy | 1970/1985/ 1994 | 22,560 | 100.0 | $ 5.23 | OE Inc., a division of Canon of Canada |
| 2955, rue Kepler, Sainte-Foy | 1978 | 14,960 | 100.0 | $ 6.43 | Expertise Transport Québec |
| 4175, boul. Ste-Anne, Beauport | 1974/1977/ 1985/1988 | 39,245 | 100.0 | $ 3.38 | J.B. Deschamps Inc., Trudel et Piché Beauport Inc. |
| 2180, rue Jean-Talon nord, Sainte-Foy | 1969/1984/ 1997 | 17,444 | 100.0 | $ 4.63 | Mobilier International Inc. (furniture store), Ash Temple Ltd. (Servident), SSI 2000 Inc. |
| 5125, rue Rideau, Québec | 1987/1997 | 11,575 | 100.0 | $ 5.70 | Canpar Transport Ltd. |
| 454-456, rue Marconi, Sainte-Foy | 1984 | 15,853 | 100.0 | $ 4.30 | Aeterna Laboratories Inc. |

| Property | Year Built/ Renovated | Leasable Area (Square Feet) | % Leased | Net Rent per Square Foot(2) | Selected Tenants(3) |
|---|---|---|---|---|---|
| 5000, rue Rideau, Québec | 1995 | 2,475 | 100.0 | $19.42 | Public Works Canada |
| 1750-90, avenue Newton, Québec | 1987 | 63,135 | 100.0 | $ 3.99 | Unisource Inc., Ascenseurs Drolet Kone Inc. |
| 1165, rue Gouin, Québec | 1941/1978/ 1993 | 70,913 | 97.8 | $ 3.31 | Produits Capitale Inc., Asystel Inc., Acier Inoxydable Denmar Inc. |
| 2010, rue Lavoisier, Sainte-Foy | 1976 | 68,235 | 100.0 | $ 3.01 | United Auto Parts Inc. |
| 830, avenue Godin, Vanier | 1978/ 1994 | 48,990 | 100.0 | $ 3.91 | Archivex Inc., P.E. Fraser, Canadian Automobile Association (Québec), La Clef de Sol Inc. |
| 2345, rue Dalton, Sainte-Foy | 1973/1981 | 54,258 | 91.3 | $ 3.45 | Polycritec Inc., Palmar Automotive Ltd., Bétonel Ltée, Viking Chains Inc. |
| 2385, rue Watt, Sainte-Foy | 1973/1981 | 65,828 | 87.5 | $ 3.41 | Transport Noly Inc., Pâtisserie Dumas, Distribution Silpro Inc. |
| 625, rue des Canetons, Québec | 1989 | 19,981 | 100.0 | $ 6.20 | United Parcel Services Canada Ltd. |
| 955, rue St-Jean-Baptiste, Québec | 1978/1991 | 32,904 | 100.0 | $ 4.91 | Newcourt Nationalease Inc., Klockner Moeller Ltée, Moteurs électriques Laval |
| 5130, rue Rideau, Québec | 1988 | 24,408 | 100.0 | $ 4.69 | Gerespro Inc., Adchem Inc., Enertrak Inc. |
| 2755, rue Dalton, Sainte-Foy | 1971/1989 | 23,880 | 85.0 | $ 3.90 | Rosedale Transport Ltd., Institut national de la recherche scientifique (Université du Québec) |
| 905, avenue Ducharme, Vanier | 1972/1991 | 20,504 | 100.0 | $ 3.58 | Industries Forma 3 Inc., Machinage Usitech Inc. |
| 2015, rue Lavoisier, Sainte-Foy | 1974 | 2,006 | 100.0 | $ 3.51 | Modulaire Plus |
| Subtotal (Industrial and Mixed Use) | | 1,155,134 | 95.4 | $ 4.03 | |
| Total Portfolio | | 3,073,659 | 94.7 | $ 8.00 | |

Notes:

(1) These figures are as at March 1, 1998 and are calculated on a per square foot basis of occupied space (and in the case of retail space, calculated for commercial retail unit (CRU) space) as at such date.

(2) Weighted average of the net rent of net leases and of the net rent component of gross leases.

(3) Sets forth certain generally recognized tenants.

(4) The data shown does not include four residential properties adjacent to Carrefour Charlesbourg available for future expansion of parking at Carrefour Charlesbourg.

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

**Place de la Cité**

Place de la Cité in Sainte-Foy, Québec is an 816,617 square foot fully-integrated multi-functional office and retail complex built between 1964 and 1988, comprising 428,354 square feet of Class "A" office space and 388,263 square feet of retail space, including a 47,500 square foot health and recreational centre (Club Entrain). The complex has parking for 2,400 cars, of which 2,230 are on three underground levels. In 1995, a major $20 million renovation program was completed to upgrade and integrate the two office buildings into the retail and services complex and ground floor shopping mall. Place de la Cité enjoys a prime location on Laurier Boulevard, the most important thoroughfare of Sainte-Foy and into the Greater Québec City Area, and is strategically situated between two major shopping centres comprising approximately 1.7 million square feet of retail space in the aggregate. Université Laval, which has approximately 34,000 students, is in the immediate vicinity. In addition, the immediate area is characterized by a heavy concentration of hotels, restaurants, office buildings, businesses and two major hospitals.

The following table sets forth the gross leasable area and number of tenants for Place de la Cité:

| Type of Space | Leasable Area (Square Feet) | Number of Tenants | % Leased |
|---|---|---|---|
| Office | 428,354 | 49 | 98.4% |
| Retail and Other | 388,263 | 110 | 94.6% |
| Total | 816,617 | 159 | 96.6% |

*Office*

Place de la Cité is one of the foremost business addresses for the financial and professional services industry in the Greater Québec City Area. The following table sets forth the major office tenants for Place de la Cité:

| Tenant | Leasable Area (Square Feet) |
|---|---|
| Régie des rentes du Québec (Québec Pension Plan) | 172,349 |
| Télé-Université (Université du Québec) | 58,332 |
| Joli-Coeur Lacasse (law firm) | 19,361 |
| The Great West Life Insurance Company | 14,942 |
| Canada Mortgage and Housing Corporation | 13,601 |
| Société Québécoise d'exploration minière (a Québec Crown corporation) | 13,431 |
| Institut national de la recherche scientifique (Université du Québec) | 13,353 |
| Price Waterhouse | 12,932 |
| Other Office Tenants (41 tenants) | 109,699 |
| Total | 428,354 |

In addition to those tenants enumerated above, prominent office tenants also include Metropolitan Life Insurance Company, Zurich Life Insurance Company, Commercial Union Insurance Company, The Manufacturers' Life Insurance Company, Air Transat and TD Evergreen.

The following table sets forth, as at December 31, 1997, the lease expiration schedule for Place de la Cité office space for each of the five years ending December 31, 1998 through 2002:

**Office Lease Expiries**

| Year | Area (Square Feet) | Average Net Rent (per Square Foot) |
|---|---|---|
| 1998 | 53,369 | $10.13 |
| 1999 | 26,302 | $ 9.76 |
| 2000 | 81,851 | $13.49 |
| 2001 | 16,250 | $10.01 |
| 2002 | 8,670 | $10.10 |

Place de la Cité has the capacity for approximately 200,000 square feet of expansion. Further expansion or redevelopment of Place de la Cité is currently being considered and projects under review include a 20-storey, 200,000 square foot office tower with ground-level retail space. However, no definitive determination with respect to such projects has been made by the Trustees to date.

***Retail***

Place de la Cité is the central property in the highest concentration of retail shopping in the Greater Québec City Area. Place de la Cité is situated immediately between and is effectively anchored by two major regional shopping centres:

- Place Laurier, a 1.1 million square foot super-regional shopping centre anchored by Sears, The Bay, Zellers and Toys 'R' US; and
- Place Ste-Foy, a 656,000 square foot regional mall anchored by Les Ailes de la Mode, Eaton, Simons, Metro and Holt Renfrew.

Place de la Cité is the direct connection between Place Ste-Foy and Place Laurier and benefits from a continuous flow of retail shoppers, as evidenced by pedestrian traffic of 200,000 people per week on average. The City of Sainte-Foy has recently approved the construction of above-ground pedestrian passageways linking Place Laurier to Place de la Cité and Place de la Cité to Place Ste-Foy. Management believes that these connections will further facilitate and increase the traffic flow from the adjacent shopping centres and increase the demand for additional retail space. Cominar is continuing discussions with owners of Place Laurier and Place Ste-Foy as well as the City of Sainte-Foy to bring about the construction of these connections. The average net rent per square foot for retail tenants at Place de la Cité, as of February 1, 1998, was $15.88. For the twelve month periods ended December 31, 1997 and 1996, Place de la Cité's reporting retail tenants generated approximately $391 and $374 in sales per square foot on average, respectively. The average net rental rates for the twelve-month periods ended December 31, 1997 and 1996 for such tenants were $31.17 and $30.26 per square foot on average, respectively.

The Club Entrain health and recreational centre, comprising approximately 47,500 square feet of leasable area, is owned and operated by 9007-5847 Québec Inc. (an affiliate of Cominar). Management believes that the health and recreational centre increases traffic at Place de la Cité and provides an additional benefit to tenants. Management also believes that it provides an opportunity for future expansion of retail space.

The following table sets forth the major retail tenants for Place de la Cité:

| Tenant | Leasable Area (Square Feet) |
|---|---|
| Club Entrain | 47,512 |
| Leon's Furniture Ltd | 36,395 |
| Caisse populaire Desjardins (Desjardins credit union) | 20,455 |
| General Trust of Canada | 7,932 |
| Desjardins Securities Inc | 5,991 |
| Fiducie Desjardins (Desjardins trust) | 5,593 |
| Disnat Investments Inc | 1,580 |
| Other Retail Tenants (103 Tenants) | 262,805 |
| Total | 388,263 |

In addition to those tenants enumerated above, prominent retail tenants also include Restaurant Le Beaugarte, two Canadian chartered banks, Lévesque Beaubien Geoffrion Inc., Benetton, Roots, Old River, La Cache, Dans un Jardin, Dack's Shoes, L'Aventurier, New Look, Uniprix (pharmacy), Household Finance Corporation and Canadian Automobile Association (Québec).

The following table sets forth, as at December 31, 1997, the lease expiration schedule for Place de la Cité retail space for each of the years ending December 31, 1998 through 2002:

**Retail Lease Expiries**

| Year | Area (Square Feet) | Average Net Rent (per Square Foot) |
|---|---|---|
| 1998 | 25,652 | $20.13 |
| 1999 | 32,220 | $20.43 |
| 2000 | 23,636 | $15.63 |
| 2001 | 37,035 | $21.33 |
| 2002 | 73,930 | $13.69 |

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

**Office Properties**

***3175, Quatre-Bourgeois, Sainte-Foy, Québec***

A 99,755 square foot office building situated on 76,122 square feet of land. The building was built in 1990 and has 270 indoor and outdoor parking spaces. It is 92.5% leased to nine tenants. Significant tenants include Public Works Canada, Groupe Berclain Inc., a division of BAAN Company N.V., Remax and La Survivance.

***979, de Bourgogne, Sainte-Foy, Québec***

A 67,154 square foot office building situated on 68,411 square feet of land. The building was built in 1976, expanded in 1988 and renovated in 1996. A total of $480,000 was spent on such renovations. The building is 83.3% leased to 18 tenants and has 134 outdoor parking spaces. Significant tenants include Société du crédit agricole (farmers' credit union), General Motors Acceptance Corporation, Office de protection des personnes handicapées du Québec (handicapped persons' protection office).

***2014, Jean-Talon Nord, Sainte-Foy, Québec***

A 61,556 square foot office building situated on 75,650 square feet of land. The building was built in 1979 and renovated in 1997. A total of $540,000 was spent on such renovations. The building is 75.3% leased to 15 tenants and includes 164 outdoor parking spaces. Significant tenants include Canadian Automobile Association (Québec), Tie Communications Ltd., Optel Technologies Inc. and Leica Canada Inc.

***455, rue Marais, Vanier, Québec***

A 61,207 square foot office building situated on 110,437 square feet of land. The building was built in 1977 and expanded in 1997. The building is 95.4% leased to 17 tenants and includes 137 outdoor parking spaces. Significant tenants include Immeubles Cominar Inc., Industrial Alliance Life Insurance Company and Société d'assurance automobile du Québec (Québec automobile insurance corporation).

*4605-25-35, 1ère Avenue, Charlesbourg, Québec*

A 40,366 square foot office building situated on 53,198 square feet of land. The building was built in 1979 and renovated in 1993. A total of $300,000 was spent on such renovations. The building is 89.3% leased to 15 tenants and has 170 parking spaces, of which 40 are indoors. Significant tenants include Industrial Alliance Life Insurance Company and a Canadian chartered bank. The lease of the Canadian chartered bank provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which Cominar is prepared to accept, for the same price as the third party offer to purchase. The tenant has waived such right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal.

*2200, Jean-Talon Nord, Sainte-Foy, Québec*

A 29,816 square foot office building situated on 94,055 square feet of land. The building is used for offices and warehousing. It was built in 1965, expanded in 1986 and renovated in 1996. The building is 91.6% leased to four tenants and includes 77 outdoor parking spaces. The significant tenant is Quebectel A.M.I. Inc.

*5075, boulevard Wilfrid-Hamel Ouest, Québec City, Québec*

A 28,055 square foot office building situated on 54,297 square feet of land. The building was built in 1980 and renovated in 1994. The building is 93.0% leased to 12 tenants and has 141 outdoor parking spaces. Significant tenants include Au Vieux Duluth (restaurant) and CEM Consultants Inc.

*5055, boulevard Wilfrid-Hamel Ouest, Québec City, Québec*

A 26,497 square foot office building situated on 87,250 square feet of land. The building was built in 1979 and renovated in 1996. A total of $300,000 was spent on such renovations. The building is 100% leased to seven tenants and has 74 outdoor parking spaces. Significant tenants include Matériaux Blanchet Inc., Association manufacturière du bois de sciage du Québec (Québec lumber manufacturers' association) and Progisys Inc.

**Retail Properties**

*Carrefour Charlesbourg — 8500, boulevard Henri-Bourassa, Charlesbourg, Québec*

A 265,036 square foot retail complex, including 62,778 square feet of ancillary office space, situated on 854,253 square feet of land. The building was built in 1976, expanded in 1988 and 1996 and renovated in 1995 and 1996. A total of $3.5 million has been spent on such expansions and renovations since 1995. It has 1,640 outdoor parking spaces. The building is 96.2% leased. The retail space is 96.1% leased to 60 tenants, and the office space is 96.5% leased to 27 tenants. The Property is located on the principal artery in the main commercial area of the City of Charlesbourg, a residential suburban community in the Greater Québec City Area. Significant retail tenants include Métro (grocery store), Pharmacie Brunet (pharmacy), Sports Experts, Radio Shack, a Canadian chartered bank and Caisse populaire Desjardins (Desjardins credit union). Significant office tenants include Travail Québec (a Québec Crown corporation) and Industrial Alliance Life Insurance Company. For the twelve months ended December 31, 1997, reporting retail tenants (excluding anchor tenants) generated $319 of sales per square foot on average. The Property also includes four adjacent residential properties zoned for commercial use which Management intends to use for future expansion of parking on the Property.

*Halles Fleurs de Lys — 245, rue Soumande, Vanier, Québec*

An 89,808 square foot public market, including 28,932 square feet of ancillary office space, situated on 249,722 square feet of land. The building was built in 1978, expanded in 1984 and renovated in 1994. A total of $345,000 was spent on such renovations. The building is 92.9% leased to 38 tenants and has 525 outdoor parking spaces. The Property is situated in close proximity to the Place Fleur de Lys regional shopping centre in a mixed commercial and residential area. The Property is easily accessible from Boulevard Hamel and the Laurentian Boulevard, two major thoroughfares. Major tenants include Marché Plus (grocery store), Uniprix (pharmacy), Société des alcools du

Québec (liquor store), Restaurant Pacini, Caisse populaire Desjardins (Desjardins credit union), Action Travail and Gymmed.

*325, rue Marais, Vanier, Québec*

A 77,517 square foot retail complex, including 38,373 square feet of ancillary office space, situated on 117,213 square feet of land. The building was built in 1991. The building is 90.9% leased to 17 tenants and includes 141 outdoor parking spaces. Significant tenants include Toshiba, AT&T, Restaurant Thomas Tam and Kit à Tout (furniture store).

*1400, St-Jean-Baptiste, Québec City, Québec*

A 102,700 square foot retail complex, including 39,744 square feet of ancillary office space, situated on 253,830 square feet of land. The building was built in 1979 and renovated in 1995. A total of $270,000 was spent on such renovations. The building is 98.2% leased to 30 tenants and includes 297 outdoor parking spaces. Significant tenants include Meubles Zip International Ltée (furniture store), Mega Fitness Gym, a Canadian chartered bank and Société des alcools du Québec (liquor store).

*2160, boulevard de la Rive-Sud, Saint-Romuald, Québec*

A 74,966 square foot retail complex, situated on 142,806 square feet of land. The building was built in 1971 and expanded in 1978 and 1996. The building is 87.4% leased to four tenants and has 247 outdoor parking spaces. Significant tenants include Métro (grocery store), Caisse populaire Desjardins (Desjardins credit union) and Vidéo Éclair.

*355, rue Marais, Vanier, Québec*

A 37,178 square foot retail building situated on 98,088 square feet of land. The building was built in 1990. The building is 100% leased to nine tenants and has 119 outdoor parking spaces. Significant tenants include Piscines et Patios du Québec Inc., Schneider Canada Inc. and Duro Vitres d'Auto.

*550, rue Marais, Vanier, Québec*

A 16,627 square foot retail building situated on 58,885 square feet of land. The building was built in 1995. The building is 100% leased to six tenants and has 60 outdoor parking spaces. Significant tenants include J.B. Lefebvre Ltée, Play It Again Sports and Eaton Yale Ltd.

*5, Place Orléans, Beauport, Québec*

A 5,792 square foot retail building situated on 15,577 square feet of land. The building was built in 1978 and expanded in 1985 and has 29 outdoor parking spaces. The Property is leased in its entirety to a Canadian chartered bank. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which Cominar is prepared to accept, for the same price as the third party offer to purchase. The tenant has waived such right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal.

*329, Seigneuriale, Beauport, Québec*

A 3,792 square foot retail building situated on 21,315 square feet of land. The building was built in 1992 and expanded in 1997. A total of $60,000 was spent on such expansion. The Property is leased in its entirety to Lebeau Vitres d'Auto and has 20 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which Cominar is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase. The tenant has waived such right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal.

*1365-1369, chemin Sainte-Foy, Sainte-Foy, Québec*

A 5,491 square foot retail building situated on 3,714 square feet of land. The building was built in 1950 and renovated in 1983. The building is 100% leased to three tenants and includes six outdoor parking spaces. The significant tenant is Immeubles Couche-Tard Inc. (convenience store).

*2195, boulevard de la Rive-Sud, Saint-Romuald, Québec*

A 6,225 square foot retail building situated on 23,310 square feet of land. The building was built in 1977 and expanded in 1985. The Property is leased in its entirety to a Canadian chartered bank and has 42 outdoor parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which Cominar is prepared to accept, for the same price as the third party offer to purchase. The tenant has waived such right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal.

*1970, avenue Chauveau, Québec*

A 2,400 square foot retail building situated on 45,246 square feet of land. The building was built in 1970 and renovated in 1983. The building is leased in its entirety to Provi-Soir Inc. (convenience store) and has 28 parking spaces. The tenant's lease provides for a right of first refusal in favour of the tenant with respect to any proposed sale of the Property pursuant to a third party offer to purchase which Cominar is prepared to accept, on the same terms and conditions and for the same price as the third party offer to purchase. The tenant has waived such right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal. The tenant's lease also provides for an option to purchase the Property in favour of the tenant, subject to certain conditions, for a price to be agreed upon by the parties or, failing such agreement, for a price equal to the then appraised fair market value of the property. The tenant's option to purchase will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such option to purchase.

**Industrial and Mixed Use Properties**

*1990, Jean-Talon Nord, Sainte-Foy, Québec*

An 88,843 square foot mixed use building situated on 184,117 square feet of land. The building was built in 1976 and 1977 and renovated in 1995 and 1996. A total of $390,000 was spent on such renovations. The building is 93.2% leased to 35 tenants and has 196 outdoor parking spaces. Significant tenants include Refac Inc. (Westburne), Caractera Inc., Xerox Canada, RJR McDonald Inc. and Rothmans Benson & Hedges Inc.

*320, de la Canardière, Sainte-Foy, Québec*

A 12,777 square foot mixed use building situated on 13,638 square feet of land. The building was built in 1980 and renovated in 1993. The building is 80% leased to two tenants and includes 19 outdoor parking spaces. The significant tenant is Centre communautaire juridique de Québec (legal aid).

*1515, St-Jean-Baptiste, Québec City, Québec*

A 61,771 square foot industrial building situated on 284,078 square feet of land. The building is used for stores and showrooms. It was built in 1979 and renovated in 1989. The building is 100.0% leased to 19 tenants and has 87 outdoor parking spaces. Significant tenants include Barnabé Meubles (1983) Inc., Centre d'estimation de la Capitale and Aérobic Technologies Inc.

*2022, Lavoisier, Sainte-Foy, Québec*

A 59,249 square foot industrial building situated on 161,596 square feet of land. The building is used for offices, showrooms and warehousing. It was built in 1978. The building is 95.1% leased to 22 tenants and has 141 outdoor parking spaces. Significant tenants include Crobel Ltée, Otis Canada, Radio-Canada, Essilor Canada Ltée and Tried Ltd.

### *100, Chabot, Vanier, Québec*

A 107,000 square foot industrial building situated on 109,684 square feet of land. The building was built in 1968 and expanded in 1986. The building is leased in its entirety to Leon's Furniture Ltd. and has 94 outdoor parking spaces.

### *2160, Jean-Talon Nord, Sainte-Foy, Québec*

A 45,151 square foot industrial building situated on 115,692 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1965, expanded in 1981 and renovated in 1994. A total of $220,000 was spent on such renovations. The building is 80.6% leased to nine tenants and has 71 outdoor parking spaces. Significant tenants include Meubles Jacques Gaulin Inc. and Opération Enfants Soleil.

### *4975, Rideau, Québec City, Québec*

A 32,861 square foot industrial building situated on 106,598 square feet of land. The building was built in 1990 and is used for offices, showrooms and warehousing. The building is 59.5% leased to seven tenants and has 64 outdoor parking spaces. Significant tenants include Ikon Solutions, Canadian Industrial Distributors Inc. and Les Portes Baril.

### *2020, Jean-Talon Nord, Sainte-Foy, Québec*

A 41,133 square foot industrial building situated on 129,002 square feet of land. The building is used for a bowling alley. The building was built in 1968. The Property is leased in its entirety to Brunswick Corporation Ltd. and has 62 outdoor parking spaces.

### *280, rue Racine, Loretteville, Québec*

An 18,801 square foot mixed use building situated on 36,512 square feet of land. The building was built in 1984 and expanded in 1986 and has 60 outdoor parking spaces. The building is 100% leased to four tenants. Significant tenants include Canada Post Corporation and a Canadian chartered bank. Canada Post Corporation's lease provides for a right of first refusal in its favour with respect to any proposed sale of the Property pursuant to a third party offer to purchase at certain times during the initial term or the renewal term of the lease on the same terms as such third party offer, subject to certain conditions. Canada Post Corporation has waived such right of first refusal in respect of the sale of the Property to the REIT. Canada Post Corporation's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal.

### *2025, Lavoisier, Sainte-Foy, Québec*

A 37,078 square foot industrial building situated on 93,815 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1978 and 1983 and renovated in 1990. The building is 94.8% leased to seven tenants and includes 72 outdoor parking spaces. Significant tenants include Telav Inc., Installation Réseaux M.I.R. Inc. and General Motors of Canada.

### *2100, Jean-Talon Nord, Sainte-Foy, Québec*

A 31,316 square foot industrial building situated on 88,948 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1962, expanded in 1975 and renovated in 1995. A total of $240,000 was spent on such renovations. The building is 100% leased to seven tenants and has 76 outdoor parking spaces. Significant tenants include Bagel Tradition'l, Toledo Scale Inc. and Sico Inc.

### *2150, Jean-Talon Nord, Sainte-Foy, Québec*

A 22,560 square foot industrial building situated on 58,002 square feet of land. The building is used for offices, showrooms and warehousing. The building was built in 1970, expanded in 1985 and renovated in 1994. A total of $260,000 was spent on such renovations. The Property is leased in its entirety to OE Inc., a division of Canon of Canada and has 59 outdoor parking spaces.

*2955, Kepler, Sainte-Foy, Québec*

A 14,960 square foot industrial building situated on 82,290 square feet of land. The building is used for offices and warehousing. The building was built in 1978 and has 54 outdoor parking spaces. The Property is leased in its entirety to Expertise Transport Québec. The tenant's lease provides for a right in favour of the tenant to approve any purchaser of the Property, such consent not to be withheld without just cause. The tenant has waived such right of approval in respect of the sale of the Property to the REIT. The tenant's right of approval will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of approval.

*4175, boulevard Ste-Anne, Beauport, Québec*

A 39,245 square foot industrial building situated on 96,342 square feet of land. The building is used for showrooms and warehousing. The building was built in 1974 and expanded in 1977, 1985 and 1988. The building is 100% leased to four tenants and includes 66 outdoor parking spaces. Significant tenants include J.B. Deschamps Inc. and Trudel et Piché Beauport Inc.

*2180, Jean-Talon Nord, Sainte-Foy, Québec*

A 17,444 square foot industrial building situated on 50,382 square feet of land. The building was built in 1969, expanded in 1984 and renovated in 1997. A total of $425,000 was spent on such renovations. The building is 100% leased to three tenants and has 44 outdoor parking spaces. The tenants are Mobilier International Inc. (furniture store), Ash Temple Ltd. (Servident) and SSI 2000 Inc.

*5125, Rideau, Québec City, Québec*

An 11,575 square foot industrial building situated on 90,062 square feet of land. The building was built in 1987 and renovated in 1997 and includes 56 outdoor parking spaces. The Property is leased in its entirety to Canpar Transport Ltd.

*454-456, Marconi, Sainte-Foy, Québec*

A 15,853 square foot industrial building situated on 65,183 square feet of land. The building is used for offices and warehousing. The building was built in 1984. The Property is leased in its entirety to Aeterna Laboratories Inc. and has 58 outdoor parking spaces.

*5000, Rideau, Québec City, Québec*

A 2,475 square foot industrial building situated on 46,395 square feet of land. The building was built in 1995, has 36 outdoor parking spaces and is leased in its entirety to Public Works Canada. The tenant's lease provides for a right of first refusal in favour of the tenant in respect of any third party offer to purchase at certain times during the initial term or renewal term of the lease on the same terms as such third party offer, subject to certain conditions. The tenant has waived its right of first refusal in respect of the sale of the Property to the REIT. The tenant's right of first refusal will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such right of first refusal. The tenant's lease also provides for an option to purchase the Property in favour of the tenant for a price significantly higher than the purchase price to the REIT, exercisable at certain times during the term of the lease or renewal term of the lease, subject to certain conditions. The tenant's option to purchase will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, the obligations of Cominar pursuant to such option to purchase.

*1750-90, Newton, Québec City, Québec*

A 63,135 square foot industrial building situated on 163,786 square feet of land. The building was built in 1987 and is used for offices and warehousing. The building is 100% leased to three tenants and has 65 outdoor parking spaces. Significant tenants include Unisource Inc. and Ascenseurs Drolet Kone Inc.

*1165, Gouin, Québec City, Québec*

A 70,913 square foot industrial building situated on 112,095 square feet of land. The building was built in 1941 and renovated in 1978 and 1993 and is used for warehousing and workshops. The building is 97.8% leased to 15 tenants and has 61 outdoor parking spaces. There is also municipal parking in close proximity. Significant tenants include Produits Capitale Inc., Asystel Inc. and Acier Inoxydable Denmar Inc.

*2010, Lavoisier, Sainte-Foy, Québec*

A 68,235 square foot industrial building situated on 225,961 square feet of land. The building was built in 1976 and is used as a warehousing facility. The Property is leased in its entirety to United Auto Parts Inc. and has 87 outdoor parking spaces.

*830, Godin, Vanier, Québec*

A 48,990 square foot industrial building situated on 123,570 square feet of land. The building was built in 1978 and renovated in 1994 and is used for warehousing and workshops. A total of $180,000 was spent on such renovations. The building is 100% leased to five tenants and has 61 outdoor parking spaces. Significant tenants include Archivex Inc., P.E. Fraser and Canadian Automobile Association (Québec).

*2345, Dalton, Sainte-Foy, Québec*

A 54,258 square foot industrial building situated on 102,664 square feet of land. The building was built in 1973 and renovated in 1981 and is used for warehousing and showrooms. A total of $190,000 was spent on such renovations. The building is 91.3% leased to six tenants and has 67 outdoor parking spaces. Significant tenants include Polycritec Inc., Palmar Automotive Ltd., Bétonel Ltée and Viking Chains Inc.

*2385, Watt, Sainte-Foy, Québec*

A 65,828 square foot industrial building situated on 200,015 square feet of land which is used for warehousing and showrooms. The front building was built in 1973 and the extension was built in 1981. The building is 87.5% leased to six tenants and has 67 outdoor parking spaces. Significant tenants include Transport Noly Inc., Pâtisserie Dumas Inc. and Distribution Silpro Inc.

*625, rue des Canetons, Québec City, Québec*

A 19,981 square foot industrial building situated on 178,624 square feet of land. The building was built in 1989, has 64 outdoor parking spaces and is leased in its entirety to United Parcel Services Canada Ltd. The tenant's lease provides for an option to purchase the Property in favour of the tenant at a price in excess of the purchase price to the REIT, at a specified time during the lease, subject to certain conditions. The tenant's option to purchase will survive the sale of the Property to the REIT and the REIT will assume, on the Property Closing, Cominar's obligations pursuant to such option to purchase.

*955, St-Jean-Baptiste, Québec City, Québec*

A 32,904 square foot industrial building situated on 197,925 square feet of land which is used for businesses, showrooms and warehousing. The building was built in 1978 and renovated in 1991 and includes 65 outdoor parking spaces. The building is 100% leased to eight tenants. Significant tenants include Newcourt Nationalease Inc., Klockner Moeller Ltée and Moteurs électriques Laval.

*5130, Rideau, Québec City, Québec*

A 24,408 square foot industrial building situated on 89,781 square feet of land. The building was built in 1988 and has 47 outdoor parking spaces. The building is 100% leased to eight tenants. Significant tenants are Gerespo Inc., Adchem Inc. and Enertrak Inc.

*2755, rue Dalton, Sainte-Foy, Québec*

A 23,880 square foot industrial building situated on 69,648 square feet of land which is used for offices and warehousing. The building was built in 1971 and renovated in 1989 and has 67 outdoor parking spaces. The building is 85% leased to three tenants. Significant tenants are Rosedale Transport Ltd. and Institut national de la recherche scientifique (Université du Québec).

*905, Ducharme, Vanier, Québec*

A 20,504 square foot industrial building situated on 50,000 square feet of land which is used for warehousing and workshops. The building was built in 1972 and renovated in 1991 and has 57 outdoor parking spaces. The building is 100% leased to four tenants. Significant tenants include Industries Forma 3 Inc. and Machinage Usitech Inc.

### *2015, Lavoisier, Sainte-Foy, Québec*

A 2,006 square foot industrial building situated on 15,539 square feet of land which is used for offices and workshops. The building was built in 1974, has 17 outdoor parking spaces and is leased in its entirety to Modulaire Plus.

## The Greater Québec City Area

### *General*

The Québec Metropolitan Area encompasses the Greater Québec City Area and is comprised of Québec City, 12 municipalities and 33 other towns and villages located within 40 kilometres of Québec City. Based on the 1996 Statistics Canada census, the Québec Metropolitan Area is home to 671,889 people and ranks as the second largest major urban centre within the Province of Québec and as the seventh largest in Canada. Statistics Canada has forecasted the population of the Québec Metropolitan Area to be at 723,000 in the year 2001 representing a compound annual growth rate of 0.7%.

The region is internationally known for its French cultural life which is generally characterized as a predominantly (97%) French speaking population. Québec City is one of the oldest cities in North America. Over 6 million tourists visit the Québec Metropolitan Area each year. The Vieux-Québec (Old Québec) and Place Royale are among the most visited sites in the area. The most important cultural event of the summer season is the International Summer Festival which occurs in July. During the winter season, the main event is the Winter Carnival which occurs in February. Two major ski resorts are located within a 45-minute drive of downtown Québec City, Mont-Sainte-Anne and Station de ski Stoneham.

As Québec City is the provincial capital, the regional economy is mainly based on governmental activities and services. In addition to employment in the teaching and health fields, approximately 40% of the province's civil service employment is concentrated in the Québec City region. Social services, health, education and public administration sectors represent approximately 35% of local employment. The region's industrial base has been enhanced in the past years with the establishment of several new firms and research centres, particularly in the high technology field, including Aeterna Laboratories, Diagnocure Inc. and Biochem Pharma Inc. The secondary sectors (i.e. manufacturing industry and construction) account for approximately 13% of the region's employment.

Université Laval, which has approximately 34,000 students, is located in Sainte-Foy, Québec. In addition, three specialized schools and institutes (École nationale d'administration publique, Télé-Université and Institut national de la recherche scientifique (INRS)), affiliated with the Université du Québec, are also located in the Greater Québec City Area.

The Québec government has recently put in place an early retirement program with targets that have already been exceeded. The total number of employees expected to retire pursuant to the early retirement plan had been 18,000; however, approximately 30,000 employees across the province agreed to retire pursuant thereto. The government is therefore commencing to hire new employees in the medical and educational fields. These changes are generally expected to affect government employees located in the Greater Québec City Area. In December 1997, the unemployment rate for the area fell to 10.1% from 11.4% in December 1996. As of February 1998, the unemployment rate fell to 9.5%

Several major government initiatives have recently been completed or announced, including a $40 million investment by the Institut national de la recherche scientifique (INRS) to consolidate its operations in a new building in the Québec Metropolitan Technological Park, a $43 million expansion by Enfant-Jésus Hospital, a $34.6 million investment for the construction of new pavilions at Université Laval, a $22.7 million investment for water treatment on Côte de Beaupré near Québec City and a $100 million convention centre.

### *Office Space Market*

The Greater Québec City Area office market is comprised of approximately 20 million square feet of space, of which approximately 53% is occupied by government offices and is not generally available for commercial leasing. The total of 10.6 million square feet available for commercial leasing constitutes the estimated total available space in the market. The following chart shows the type of space in terms of the area and the vacancy rate for the Greater Québec City Area as at October 1997[(1)]:

| | Greater Québec City Area | | Sainte-Foy | |
|---|---|---|---|---|
| **Type of Office Space** | **Area (Square Feet)** | **Vacancy (%)** | **Area (Square Feet)** | **Vacancy (%)** |
| Class A | 2,866,346 | 10.7 | 732,254 | 2.3 |
| Class B | 7,402,681 | 26.0 | 1,737,310 | 25.3 |
| Class C | 327,737 | 36.1 | 68,700 | 28.9 |
| Total | 10,596,794 | 22.2 | 2,538,264 | 18.7 |

Vacancy rates vary according to the building class and location. Government initiatives to downsize the public service sector in recent years have resulted in an increase in the available vacant space in the market and have affected overall vacancy rates. As at October 1997, the overall vacancy rate for the Greater Québec City Area was estimated to be 22.2%. The vacancy rate for Class A buildings, which are experiencing greater demand from tenants for both better quality and well located properties, was estimated to be 10.7%. The most recent buildings constructed have been designed and located in order to better suit current market needs. These newer properties are mostly Class A or B type properties that are generally outperforming the market. Older buildings that are vacant, outdated and poorly located are no longer considered in the market. The overall effective vacancy rate, adjusted to exclude the out-of-market properties, would be reduced to 16.5% from 22.2%, representing approximately 700,000 square feet of vacant space.[(1)] The market net absorption rate, after adjusting for market properties, is currently around 150,000 square feet per year. The vacancy rate for Class A buildings in Sainte-Foy is the lowest vacancy rate in the overall market at 2.3%.

### *Retail Space Market*

The 1998 Canadian Directory of Shopping Centres estimates that there is approximately 8.2 million square feet of retail space in the Greater Québec City Area. The improvement in the job market in 1997 and lower interest rates have led to an increase in retail sales in the region. Retail sales increased in the Province of Québec by approximately 7.1% in 1997 compared with an increase of approximately 4% in 1996, and a 7.2% increase in 1997 for all of Canada. Large surface stores have altered some aspects of the retail market in the area. In Sainte-Foy, Place Ste-Foy Shopping Centre has completed a recent 135,000 square foot expansion and Place Laurier, with over one million square feet, has completed a $15 million renovation program.

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Note:

(1) Information obtained from Desjarlais, Prévost et Associés Inc., real estate analysts and appraisers.

### *Industrial Space Market*

The industrial market in the Greater Québec City Area is highly fragmented and available information is limited. **The information set forth in this section has been sourced and compiled by Management and has not been independently verified.** Management estimates that there is currently approximately 14 million square feet of industrial space in the Greater Québec City Area, which includes owned or occupied properties that are not generally available for leasing. Management's estimate of the number of industrial buildings available for lease is 229 and the corresponding leasable area is 5,987,600 square feet. According to Management, the vacancy rate for the industrial space market in the Greater Québec City Area was estimated to be 7.01%, representing approximately 420,000 square feet. There is presently limited availability of contiguous leasable space in amounts greater than 35,000 square feet. There are a number of construction projects that have commenced or have been announced, representing, in the aggregate, over 200,000 square feet. The following table shows the number of buildings, the leasable area and the vacancy rates for industrial and mixed use properties with leasable area greater than 10,000 square feet for the period from 1991 to 1997 as sourced by Management.

| Year | Number of buildings | Leasable Area (Square Feet) | Vacancy (%) |
|---|---|---|---|
| 1991 | 212 | 5,636,000 | 6.20 |
| 1992 | 220 | 5,823,300 | 7.90 |
| 1993 | 221 | 5,858,700 | 9.10 |
| 1994 | 224 | 5,922,500 | 7.75 |
| 1995 | 224 | 5,922,500 | 7.70 |
| 1996 | 229 | 5,987,600 | 7.54 |
| 1997 | 229 | 5,987,600 | 7.01 |

Over the period from 1991 to 1997, there were net additions of 17 buildings and the corresponding leasable area increased by approximately 6.2%. There were no new net additions of buildings in 1997. The vacancy rate for the period from 1991 to 1997 was in a range of approximately 6.2% to 9.1%, with an average of 7.6%.

## ENVIRONMENTAL AND ENGINEERING

Independent environmental consultants have performed Phase I environmental site assessments (also known as environmental audits) on each of the Properties. These Phase I environmental site assessments did not reveal any material environmental concerns. Substantially all of these Phase I environmental site assessments were performed by Le Groupe Conseil Enviram (1986) Inc. ("Enviram"). Phase II environmental site assessments have also been performed on eleven of the Properties. These Phase II environmental site assessments did not reveal any environmental concerns which could materially adversely affect the REIT, its financial condition or its operations. Cominar Management estimates that the cost of any environmental remedial work required will not exceed $100,000 and it is expected that such work will be completed by Cominar, at its cost, by December 31, 1998. The Purchase Agreements will contain environmental representations, warranties and indemnities customary in arm's length transactions of this nature. See "Acquisition of the Portfolio and Assets by the REIT — Purchase Agreements".

Soprin ADS, an independent firm of professional engineers, has been retained to carry out engineering inspections of each of the Properties, except for one smaller mixed use Property. The results of the engineering inspections, as reported by Soprin ADS in its February 1998 report, indicate that, overall, the Properties have been well maintained and are generally in good condition. Based upon its inspections, Soprin ADS estimated that the REIT could spend up to $400,000 for ongoing repairs, maintenance and the replacement of capital items in the next five years. The REIT agrees that the work identified in the engineering report will be required to be completed and intends to complete such repairs, maintenance and replacement of capital items as part of its ongoing maintenance program and as circumstances so require. The REIT has included in the Financial Forecast that portion of the $400,000 referred to in the engineering report as will be required to complete such work during the period covered by the Financial Forecast.

## INDEPENDENT APPRAISAL OF THE VALUE OF THE PORTFOLIO

The REIT retained the Appraiser to provide an independent appraisal of the market value of the Portfolio. The appraisal was prepared in conformity with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada. The Appraisal Institute of Canada defines market value as "the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, between a willing buyer and a willing seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimuli".

In its appraisal dated March 2, 1998, the Appraiser determined the approximate market value of each of the Properties and determined the aggregate approximate market value and estimated replacement cost of the Portfolio as at March 2, 1998, to be as follows:

| Properties | Value Range | Estimated Replacement Cost |
|---|---|---|
| Office Properties[1] | $ 76,000,000 - $ 80,500,000 | $ 96,742,000 |
| Retail Properties[2] | $121,000,000 - $127,500,000 | $150,668,000 |
| Industrial and Mixed Use Properties | $ 38,000,000 -$ 39,500,000 | $ 55,360,000 |
| Total | $235,000,000 - $247,500,000 | $302,770,000 |

Notes:

(1) Includes an allocation of 43% of the value of Place de la Cité.

(2) Includes an allocation of 57% of the value of Place de la Cité.

The corresponding capitalization rates for the market value ranges outlined above are as follows: 10.1% to 10.7% for the Office Properties (excluding Place de la Cité), 9.8% to 10.4% for the Retail Properties (excluding Place de la Cité), and 10.8% to 11.4% for the Industrial and Mixed Use Properties. With respect to Place de la Cité, the Appraiser's valuation range utilized capitalization rates of 9.2% to 9.7%.

The most probable price of $241,037,000 as determined by the Appraiser is based on a capitalization rate of 9.9% and an average price per square foot of $78.42 overall, including $92.92 for the Office Properties (which includes an allocation of 43% of the value and 428,354 square feet of Place de la Cité), $115.26 for the Retail Properties (which includes an allocation of 57% of the value and 388,263 square feet of Place de la Cité) and $33.54 for the Industrial and Mixed Use Properties. If Place de la Cité were not included in the calculation, then the resulting price per square foot for the Office Properties and Retail Properties would be $66.00 per square foot and $82.10 per square foot, respectively.

The foregoing estimated values were determined by using an income valuation approach, which utilized a direct capitalization rate method together with a discounted cash flow method supported by a market data comparison approach. The Appraiser gave appropriate consideration to a forecast of income for each Property in terms of market rental rates, growth levels, vacancy rates, tenant rollovers, future tenant allowances and lease termination rights of significant tenants. The Appraiser visited each Property to assess locational and physical characteristics, and an estimate of the highest and best use was made. Appropriate valuation parameters were used, giving due regard to an assessment of the income characteristics, current market conditions as well as prevailing economic and industry information.

In determining the approximate market value of the Portfolio, the Appraiser relied on operating and financial data provided by or on behalf of Cominar, including detailed rent rolls and projected operating results. Based on its review of the Properties and other relevant factors, the Appraiser considered such data to be reasonable and supportable.

In determining the approximate replacement cost of the Portfolio, the Appraiser relied on Property information provided by or on behalf of Cominar in conjunction with replacement cost indices. Based on its review of the Properties and other relevant factors, the Appraiser considered such data to be reasonable and supportable.

In appraising the Portfolio, the Appraiser assumed that title to the Portfolio is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

**Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of existing market value, it is not a precise measure of value but is based on a subjective comparison of related**

**activity taking place in the real estate market. The appraisal is based on various assumptions of future expectations and while the Appraiser's forecast of income is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.**

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 appraisal.

## ACQUISITION OF THE PORTFOLIO AND ASSETS BY THE REIT

### General

At or prior to the Closing, the REIT and Cominar will enter into the Purchase Agreements, pursuant to which the REIT will acquire the Portfolio and the Assets.

### Purchase Agreements

Pursuant to the Purchase Agreements, the REIT will acquire the Portfolio and the Assets from Cominar for a purchase price of $241,037,000, payable as to $58,612,719 in cash, as to $62,000,000 by the issuance to Cominar of 6,200,000 Cominar Units at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering and as to $120,424,281 by the assumption of the Assumed Hypothecs, subject to normal adjustments.

A substantial portion of the cash proceeds of the purchase price will be utilized by Cominar, at the Property Closing, to discharge certain immovable hypothecs on the Portfolio and the balance will be utilized by Cominar to pay income taxes arising on the transfer of the Portfolio to the REIT. The REIT will use a portion of net proceeds of the Initial Instalment in respect of the Receipt Units sold pursuant to this Offering to satisfy the cash portion of the purchase price for the Portfolio and the Assets. See "Use of Proceeds".

The Purchase Agreements will provide for the transfer of the employees of Cominar relating to the management of the Properties to the REIT or a wholly-owned subsidiary of the REIT. The Purchase Agreements will contain indemnities in favour of the REIT and of Cominar relating to such employees' claims and other matters arising prior to or after the Property Closing, respectively. The obligations to employees of Cominar who become employees of such subsidiary, to the extent required by applicable law to be assumed by their new employer, including those obligations arising from their past service with Cominar, may be incumbent not upon the REIT but upon such subsidiary of the REIT.

The Closing and the Property Closing are conditional upon one another. The Purchase Agreements will also contain representations, warranties and indemnities customary in arm's length transactions of this nature, including, without limitation, in respect of environmental matters.

### Sale of an Enterprise

It is intended that the withholding requirements of the applicable sale of an enterprise (bulk sale) legislation be complied with in connection with the acquisition of the Portfolio and the Assets, except with respect to the Assumed Hypothecs. An amount equal to 100% of all amounts due at the Property Closing to creditors of Cominar (other than the hypothecary creditors under the Assumed Hypothecs) who have not waived their rights under applicable sale of an enterprise (bulk sale) legislation (estimated at $250,000) will be withheld from the cash portion of the purchase price, deposited with the Depositary, pursuant to the Depositary Agreement to be entered into among Cominar, the REIT and the Depositary on or prior to the Property Closing (the "Depositary Agreement"), and will be remitted to Cominar or paid by the Depositary on direction of Cominar, as to the amount of any such creditor's claim, as and when such creditor's claim is paid or satisfied, the whole pursuant to the Purchase Agreements and the Depositary Agreement.

### Assumed Hypothecs

Following the Property Closing, the Properties will be subject to the Assumed Hypothecs. The REIT will execute assumption agreements with the various hypothecary creditors under the Assumed Hypothecs whereby the REIT will assume the obligations of Cominar pursuant thereto. Cominar will use all reasonable efforts to obtain acknowledgements from the hypothecary creditors under the Assumed Hypothecs that the Assumed Hypothecs obligations will not be binding personally upon the Trustees, the Unitholders or any annuitant under a plan of which a Unitholder acts as trustee or carrier (to the extent that such Trustee, Unitholder or annuitant has any personal liability under applicable law).

**Personal Liability of Certain Parties**

Cominar and Mr. Jules Dallaire will continue after the Property Closing to be liable as guarantors or otherwise under certain of the Assumed Hypothecs, as required by the hypothecary creditors as a condition of their consent to the assumption by the REIT of such Assumed Hypothecs. The REIT will indemnify Cominar and Mr. Jules Dallaire in respect of such continuing liability. The right of the REIT to dispose of a Property in respect of which Cominar or Mr. Jules Dallaire is so liable will be subject to the release of such liability or, if such release is not obtained, Cominar or Mr. Jules Dallaire, acting reasonably, agreeing to the sufficiency of indemnification made in its favour and to the hypothecary creditor agreeing to assign its security to Cominar or Mr. Jules Dallaire if it is required to and in fact pays the relevant liability.

## USE OF PROCEEDS

The proceeds of approximately $145,000,000 from this Offering consist of $83,000,000 from the issuance of the Receipt Units and $62,000,000 from the issuance of the Cominar Units. The net proceeds from the Receipt Units sold pursuant to this Offering, after deducting the Underwriters' Fee ($4,980,000) and the expenses of this Offering (estimated at $1,100,000) are estimated to be $76,920,000 upon receipt of the Final Instalment on the Receipt Units. Concurrent with the Closing, the REIT intends to obtain a non-revolving term loan from two Canadian chartered banks and Cominar (the "Instalment Loan"), not to exceed the aggregate of the Final Instalment in respect of the Receipt Units sold pursuant to this Offering and the Over-Allotment Option, secured by a hypothec on and security interest in the REIT's rights and entitlements under the Final Instalments and the pledge of the Receipt Units (the "Instalment Loan Hypothec"). Approximately:

- $25,413,000 will be used by the REIT to pay a portion of the cash due to Cominar on the Property Closing;
- $3,740,000 will be used to pay land transfer taxes and acquisition costs incurred on the acquisition of the Portfolio and the Assets;
- $14,567,000 will be used for future property acquisitions, capital improvements and working capital purposes; and
- $33,200,000, being the proceeds from the Final Instalment in respect of the Receipt Units, will be applied to the repayment of the Instalment Loan.

The net proceeds from the Instalment Loan will be combined with the net proceeds from the Initial Instalments received from the Offering to satisfy the cash portion of the consideration payable to Cominar for the Portfolio and the Assets.

The net proceeds, if any, from the sale of Receipt Units pursuant to the Over-Allotment Option will be added to the working capital of the REIT. The REIT intends to use working capital to finance the acquisition of additional income-producing office, retail, industrial and mixed use properties.

Lévesque Beaubien Geoffrion Inc., one of the Underwriters, is controlled by a Canadian chartered bank which is one of Cominar's principal lenders and which is providing a portion of the Instalment Loan. Desjardins Securities Inc., one of the Underwriters, is controlled by a Québec financial institution which is one of Cominar's principal lenders. Such bank and such financial institution were not involved in the decision to distribute the Receipt Units. Lévesque Beaubien Geoffrion Inc. and Desjardins Securities Inc. will not receive any benefit in connection with this Offering other than their pro rata portion of Underwriters' Fee payable by the REIT. Cominar will also be providing a portion of the Instalment Loan. See "Plan of Distribution".

The following table summarizes certain aspects of the use of the net proceeds of this Offering and the Instalment Loan:

| Property Type | Aggregate Purchase Price[1] | Land Transfer Taxes and Other Acquisition Expenses[2] | Assumed Hypothecs[3] | Use of Net Proceeds |
|---|---|---|---|---|
| Office Properties[4] | $ 78,305,000 | $ 1,234,200 | $ 52,613,191 | $ 26,926,009 |
| Retail Properties[5] | 123,992,000 | 1,907,400 | 54,066,531 | 71,832,869 |
| Industrial and Mixed Use Properties | 38,740,000 | 598,400 | 13,744,559 | 25,593,841 |
| Sub-Total | 241,037,000 | 3,740,000 | 120,424,281 | 124,352,719 |
| Working Capital[6] | — | — | — | 14,567,000 |
| Total | $241,037,000 | $ 3,740,000 | $120,424,281 | $138,919,719 |

Notes:

(1) The purchase price for the Properties and Assets is an approximation based upon the amount to be allocated to the Properties by the REIT as determined by reference to the appraised value of the Properties. See "Independent Appraisal of the Value of the Portfolio".

(2) Derived by Cominar Management from the allocation as determined by reference to the appraised value of the Properties. Includes estimated acquisition related expenses payable by the REIT, including land transfer taxes, legal and other expenses.

(3) The Place de la Cité Loan, a term loan in the amount of $80 million, in aggregate, to be arranged with a group of institutional lenders on or prior to the Closing and to be secured by an immovable hypothec on Place de la Cité in its entirety has been allocated by Cominar Management, based on the appraised value of Place de la Cité, as to $34.4 million to the Office Properties category and, as to $45.6 million to the Retail Properties category.

(4) Includes 428,354 square feet of office space at Place de la Cité.

(5) Includes 388,263 square feet of retail space and a health and recreational centre at Place de la Cité.

(6) Includes funds available for future property acquisitions, capital improvements and general purposes of the REIT.

## FINANCIAL FORECAST

The following Forecast Statement of Net Income and Distributable Income was approved by Management, using assumptions with an effective date of May 1, 1998, and was approved by the Trustees on May 8, 1998. Pursuant to applicable securities policies, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and actual interim results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with generally accepted accounting principles relating to measurement, presentation and disclosure of financial forecasts established by the Canadian Institute of Chartered Accountants. The forecast has been prepared using assumptions that reflect Management's intended course of action for the periods covered, given Management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the offering of Receipt Units and Cominar Units to be issued at Closing and the acquisition of the Portfolio and the Assets described under "Acquisition of the Portfolio and Assets by the REIT — Purchase Agreements".

**The reader is cautioned that some of the assumptions used in the preparation of the forecast, although considered reasonable by the REIT at the time of preparation, may prove to be incorrect. The actual results achieved for the forecast period will vary from the forecast results and the variations may be material.**

## COMINAR REAL ESTATE INVESTMENT TRUST

## AUDITORS' REPORT ON FINANCIAL FORECAST

**To the Trustees of**
**Cominar Real Estate Investment Trust**

The accompanying financial forecast of Cominar Real Estate Investment Trust consisting of forecast statement of net income and distributable income for each of the three-month periods ending June 30, 1998, September 30, 1998, December 31, 1998 and for the nine-month period ending December 31, 1998 and for the three-month period ending March 31, 1999 and for the twelve-month period ending March 31, 1999 has been approved by Management using assumptions with an effective date of May 1, 1998. We have examined the support provided by Management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by Management are suitably supported and consistent with the plans of the Trust, and provide a reasonable basis for the forecast;
- this forecast reflects such assumptions; and
- the financial forecast complies with the presentation and disclosure standards for forecasts established by The Canadian Institute of Chartered Accountants.

Since this forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

Québec City, Canada
May 1, 1998

(signed) PRICE WATERHOUSE
Chartered Accountants

## COMINAR REAL ESTATE INVESTMENT TRUST

### Forecast Statement of Net Income and Distributable Income

| | Three-month period ending | | | Nine-month period ending | Three-month period ending | Twelve-month period ending |
|---|---|---|---|---|---|---|
| | June 30, 1998 | September 30, 1998 | December 31, 1998 | December 31, 1998 | March 31, 1999 | March 31, 1999 |
| | (in thousands of dollars except per unit amounts) | | | | | |
| **Operating revenues** | | | | | | |
| Rentals from income properties | $10,057 | $10,281 | $10,427 | $30,765 | $10,368 | $41,133 |
| **Operating expenses** | | | | | | |
| Property operating costs . . . . . . . | 2,502 | 2,389 | 2,651 | 7,542 | 3,024 | 10,566 |
| Realty taxes and services . . . . . . | 1,732 | 1,739 | 1,737 | 5,208 | 1,730 | 6,938 |
| Property management expenses | 157 | 157 | 157 | 471 | 156 | 627 |
| | 4,391 | 4,285 | 4,545 | 13,221 | 4,910 | 18,131 |
| **Net Operating Income** . . . . . . . . . . . | 5,666 | 5,996 | 5,882 | 17,544 | 5,458 | 23,002 |
| Interest on hypothecs . . . . . . . . . . . | 2,109 | 2,101 | 2,092 | 6,302 | 2,083 | 8,385 |
| Depreciation — buildings . . . . . . . . | 455 | 455 | 455 | 1,365 | 454 | 1,819 |
| Depreciation — tenant improvements . . . . . . . . . . . . . . . . | 75 | 75 | 75 | 225 | 75 | 300 |
| Amortization of deferred expenses | 28 | 28 | 28 | 84 | 30 | 114 |
| **Operating income from real estate assets** . . . . . . . . . . . . . . . . . . . . . . | 2,999 | 3,337 | 3,232 | 9,568 | 2,816 | 12,384 |
| **Trust expenses** . . . . . . . . . . . . . . . . | 141 | 141 | 141 | 423 | 142 | 565 |
| | 2,858 | 3,196 | 3,091 | 9,145 | 2,674 | 11,819 |
| **Other** | | | | | | |
| Loan interest . . . . . . . . . . . . . . . . . | (514) | (514) | (515) | (1,543) | (515) | (2,058) |
| Instalment receipt interest income . . . . . . . . . . . . . . . . . . . | 365 | 365 | 365 | 1,095 | 365 | 1,460 |
| Other income . . . . . . . . . . . . . . . | 175 | 175 | 175 | 525 | 175 | 700 |
| | 26 | 26 | 25 | 77 | 25 | 102 |
| Net income . . . . . . . . . . . . . . . . . . . | 2,884 | 3,222 | 3,116 | 9,222 | 2,699 | 11,921 |
| **Add (deduct)** | | | | | | |
| Depreciation — buildings . . . . . . | 455 | 455 | 455 | 1,365 | 454 | 1,819 |
| Instalment receipt interest income . . . . . . . . . . . . . . . . . . . | (365) | (365) | (365) | (1,095) | (365) | (1,460) |
| Distributable income . . . . . . . . . . . | $ 2,974 | $ 3,312 | $ 3,206 | $ 9,492 | $ 2,788 | $12,280 |
| Distributable income per Unit . . . . | $ 0.205 | $ 0.228 | $ 0.221 | $ 0.655 | $ 0.192 | $ 0.847 |

*See accompanying notes to financial forecast*

## COMINAR REAL ESTATE INVESTMENT TRUST

## NOTES TO FINANCIAL FORECAST

### (in thousands of dollars)

**1. Basis of preparation of forecast**

The forecast statement of net income and distributable income for Cominar Real Estate Investment Trust (the "REIT") was approved by Management using assumptions with an effective date of May 1, 1998 and has been approved by the Trustees of the REIT. Cominar means, collectively, Immeubles Cominar Inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships.

The forecast has been prepared using assumptions that reflect Management's intended course of action for the period covered, given Management's judgment as to the most probable set of economic conditions. The forecast will be compared with the reported results for the forecast period and any significant differences will be disclosed. The actual results achieved during the forecast period will vary from the forecast results and variations may be material.

**If the Properties are conveyed on a date other than April 1, 1998, the forecast net income and distributable income will be apportioned between Cominar and the REIT on a prorata basis to reflect the actual period of ownership by Cominar and the REIT, respectively.**

**2. Summary of significant accounting policies**

The forecast has been prepared in accordance with generally accepted accounting principles in all material respects and reflects the following policies:

a) **Income properties**

Income properties are stated at cost to the REIT at acquisition, including all acquisition costs and related fees.

Depreciation of buildings is recorded on the 5% sinking fund basis to fully amortize the cost of buildings over 40 years. Depreciation of tenant improvements is recorded on the straight-line basis over the terms of the related leases.

b) **Deferred expenses**

Leasing expenses such as commissions, free rent and tenant inducements are deferred and amortized on the straight-line basis over the terms of the related leases.

Hypothecs financing expenses are deferred and amortized on the straight-line basis over the terms of the related debt.

**3. Significant assumptions**

The forecast net income and distributable income for the REIT are based on the following assumptions:

a) **Use of proceeds of the Offering**

The REIT will complete a public offering in the gross amount of $145,000 (net cash proceeds of $137,460 after deducting the discount of the Instalment Receipts described in note (i) and costs of the issue) on April 1, 1998. The Offering of 14,500,000 Units will include 6,200,000 Cominar Units that will be issued to Cominar. Under the terms of the Over-Allotment Option, the Underwriters have the option to purchase an additional 1,245,000 Units. This forecast statement of net income and distributable income does not give effect to the exercise of the Over-Allotment Option. The REIT will acquire the Properties from Cominar on April 1, 1998 for a purchase price of $241,037 plus additional acquisition costs of $3,740 to be funded as follows:

| | |
|---|---|
| Cash proceeds from the Offering | $ 29,153 |
| Instalment Loan | 33,200 |
| Assumed Hypothecs | 120,424 |
| Issue of Cominar Units | 62,000 |
| | $244,777 |

b) **Real estate transactions**

Management believes that during the forecast period there may be property transactions that will be considered prudent and in the best interest of Unitholders. For the purposes of this forecast, it has been assumed that no property transaction occurs during the forecast period.

## NOTES TO FINANCIAL FORECAST

### (in thousands of dollars)

c) **Rentals from income properties**

Rentals from income properties include all rental income receivable from the Properties including minimum (basic) rent, operating cost recoveries, realty tax recoveries, management expense recoveries, parking and storage assuming that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and paying rent for the term of the forecast period. Renewals and leasing of vacant space have been determined on a lease specific basis at current market rates and terms, with no escalation during the forecast period.

d) **Operating cost and realty taxes**

Operating cost and realty taxes for the forecast period have been based on historical expense levels, adjusted for current market prices.

e) **Leasing commissions and tenant inducements**

Leasing commissions and tenant inducements are based on Management's expectations of market conditions given the leasing assumptions for the forecast period.

f) **Interest on hypothecs**

Interest on hypothecs is based on the debt obligations that will be in existence immediately following the Closing. As none of these hypothecs matures during the forecast period, it is assumed that no refinancing will occur. For hypothecs expiring prior to April 1, 1998 for which commitments have yet to be finalized, refinancing has been assumed at current debt levels at fixed interest rates varying between 6.5% and 6.7% per annum.

g) **Property management expenses**

Property management expenses are based on historical expense levels, adjusted for current market prices.

h) **Trust expenses**

Expenses of the REIT have been estimated using Management's best judgment.

i) **Instalment Receipt interest income and Loan interest expense**

It was assumed that 60% of the issue price of the Receipt Units issued will be paid in cash at Closing and 40% will be receivable after one year, without interest. The Instalment Receipts receivable is assumed to be discounted using a 4.4% discount rate. It was further assumed that the REIT will obtain a one-year loan for $33,200 at 6.2% per annum and secured by the REIT's entitlements under the pledge of the Receipt Units sold.

j) **Other income**

It was assumed that cash balances will be invested in treasury bills or similar short-term securities at an annual rate assumed to be 4.18% during the forecast period.

k) **Distributable Income**

It has been assumed that distributable income will equal 100% of the accounting income as calculated under generally accepted accounting principles, adjusted by adding back depreciation expense on the buildings and deducting instalment receipt interest income.

l) **Income taxes**

The REIT is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Contract of Trust, the Trustees intend to distribute or designate all taxable income directly earned by the REIT to Unitholders of the REIT and to deduct such distributions and designations for income tax purposes to such an extent that it will not be liable for income tax under Part 1 of the *Income Tax Act* (Canada). Therefore, no provision for income taxes has been recorded.

**4. Distributable Income per Unit**

Distributable income per Unit is based on distributable income divided by the weighted average number of Units outstanding during each month in the respective quarter.

## MANAGEMENT OF THE REIT

The operations and affairs of the REIT will be subject to the control of the Trustees and the operations of the REIT will be under the direction of Management. Among other duties, Management will be responsible for providing the Trustees and the Investment Committee with information and advice relating to acquisitions, dispositions and financing, maintaining the books and financial records of the REIT, preparing reports and other information required to be sent to Unitholders and other disclosure documents, calculating and determining all allocations, designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes, preparing all documentation relating to meetings of Unitholders, completing or supervising completion of transactions and recommending suitable individuals for nomination as Trustees.

### 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.

The number of Trustees within such minimum and maximum numbers may be changed by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders, or by the Independent Trustees if so authorized by the Unitholders. A vacancy occurring among the Independent Trustees may be filled by resolution of the Independent Trustees only or by the Unitholders at a meeting of the Unitholders. An Independent Trustee may be removed with or without cause by two-thirds of the votes cast at a meeting of Unitholders or with cause by two-thirds of the remaining Independent Trustees.

Cominar is entitled to appoint four Trustees so long as the percentage of Units that Cominar holds is at least 10% of the Units then outstanding. The remaining Trustees are to be elected by resolution passed by a majority of the votes cast at a meeting of the Unitholders. Such Trustees will serve two year staggered terms. Trustees elected at an annual meeting will be elected for terms expiring at the second subsequent annual meeting and will be eligible for re-election. A Trustee appointed or elected to fill a vacancy will be so appointed or elected for the remaining term of the Trustee he is succeeding.

A majority of the Trustees must be resident Canadians. A majority of the Trustees must have had at least five years substantial experience in the real estate industry and at least a majority of the Trustees must be Independent Trustees. Certain decisions respecting the REIT must be approved by a majority of the Independent Trustees only. See "Contract of Trust and Description of Units — Independent Trustee Matters". The initial Independent Trustees were appointed by TD Securities Inc. and Lévesque Beaubien Geoffrion Inc.

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 (a "Non-Unitholder Trustee"). The Contract of Trust provides that in the event that at any relevant time, there is no Non-Unitholder Trustee, the Trustees shall take appropriate action during a period of no longer than 60 days thereafter to assure that there shall be at least one Non-Unitholder Trustee. The Contract of Trust further provides that, notwithstanding anything therein contained to the contrary, and to the fullest extent permitted by applicable law, all the acts of the Trustees otherwise in accordance with the Contract of Trust shall be valid notwithstanding any temporary failure to comply with the foregoing provision.

A quorum for all meetings of the Trustees or any committee thereof shall be at least a majority of the Trustees or of the Trustees on such committee, as the case may be, present in person, at least one of whom shall, except for the Compensation and Governance Committee (all of whose members must be Independent Trustees), be an Independent Trustee. The Trustees (or, when only the approval of a majority of all of the Independent Trustees is required, the Independent Trustees) may act with or without a meeting. Any action of the Trustees (or the Independent Trustees in the circumstances mentioned in the preceding sentence) may be taken at a meeting by vote or without a meeting by written consent or resolution signed by all of the Trustees, or all of the Independent Trustees, as the case may be.

The exclusive standard of care and duties of the Trustees provided in the Contract of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, the Contract of Trust requires that the Trustees exercise their powers and carry out their functions honestly, in good faith, with a view to the best interests of the REIT and the Unitholders and, in connection therewith, they exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and standard of care of the Trustees as aforesaid are intended to be similar to and not greater than those imposed on an administrator of the property of others charged with full administration pursuant to article 1309 of the *Civil Code of Québec*. The Contract of Trust provides that, to the extent that the Trustees have contracted or delegated the performance of certain activities to a property manager, they shall be deemed to have satisfied the aforesaid standard of care.

The Contract of Trust provides for certain indemnities in favour of the Trustees and officers of the REIT and certain other persons in certain circumstances.

**Conflict of Interest Restrictions and Provisions**

The Contract of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on the REIT. Given that the Trustees are engaged in a wide range of real estate and other activities, the Contract of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in immovable property or a joint venture arrangement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the meeting at which a proposed contract or transaction is first considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees or the Unitholders, a Trustee is required to disclose in writing to the REIT or request to have entered into the minutes of the meetings, the nature and extent of his interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his remuneration as a Trustee, officer, employee or agent of the REIT or one for indemnity under the provisions of the Contract of Trust or the purchase of liability insurance.

**Trustees and Officers**

The name and municipality of residence, office held with the REIT and principal occupation of each Trustee and officer of the REIT are as follows:

| Name and Municipality of Residence | Office | Principal Occupation |
|---|---|---|
| JULES DALLAIRE<br>Charlesbourg, Québec | Trustee and Chairman, President and Chief Executive Officer | President and Chief Executive Officer of Cominar |
| PAUL FOREST, C.A.[1]<br>Sainte-Foy, Québec | Trustee, Executive Vice-President and Chief Financial Officer | Executive Vice-President and Chief Financial Officer of Cominar |
| MICHEL DALLAIRE, ENG.<br>Beauport, Québec | Trustee and Executive Vice-President, Operations | Executive Vice-President, Operations of Cominar |
| ME MICHEL PAQUET<br>Sainte-Foy, Québec | Trustee, Executive Vice-President, Legal Affairs and Secretary | Executive Vice-President, Legal Affairs and Secretary of Cominar |
| MICHEL OUELLETTE, E.A.<br>Charlesbourg, Québec | Executive Vice-President, Acquisitions and Development | Executive Vice-President, Development of Cominar |
| NOËL FERLAND<br>Charlesbourg, Québec | Vice-President, Retail Operations | Executive Vice-President, Retail Operations of Cominar |
| YVAN CARON[1][2][3]<br>Québec City, Québec | Trustee | Director and Senior Vice-President of Place Desjardins Inc. |
| ROBERT DESPRÉS, O.C.[1][3]<br>Québec City, Québec | Trustee | Chairman of the Board of Alliance Forest Products Inc. |

| Name and Municipality of Residence | Office | Principal Occupation |
| --- | --- | --- |
| PIERRE GINGRAS(2)(3) . . . . . . . . . . . . Sainte-Pétronille, Île d'Orléans, Québec | Trustee | President of Placements Moras Inc., Director of Imperial Life Insurance and Director of Fédération des caisses populaires Desjardins de Québec |
| GHISLAINE LABERGE(2)(3) . . . . . . . . Verdun, Québec | Trustee | Consultant in real estate investments, Director of Cadim Inc. and Société Hypothèques C.D.P.A. (S.E.N.C.), affiliates of Caisse de dépôt et placement du Québec. |
| RICHARD MARION(3) . . . . . . . . . . . . . Dollard-des-Ormeaux, Québec | Trustee | President of Actigest Inc., General Manager of Société en commandite immobilière Solim |

Notes:

(1) Member of the Audit Committee

(2) Member of the Compensation and Governance Committee

(3) Independent Trustee

Yvan Caron and Ghislaine Laberge will serve as Trustees for a one-year term expiring at the first annual meeting of the Unitholders. Robert Després, Pierre Gingras and Richard Marion will serve as Trustees for a two-year term expiring at the second annual meeting of Unitholders. Jules Dallaire, Paul Forest, Michel Dallaire and Michel Paquet will serve as Trustees until their respective successors are elected or appointed.

**Key Management Personnel**

All of the Trustees and officers of the REIT have been involved in a broad range of real estate and related activities for at least five years. The REIT's senior management team includes:

**Jules Dallaire, Trustee and Chairman, President and Chief Executive Officer**

Mr. Jules Dallaire is the founder and Chairman and Chief Executive Officer of Cominar. Mr. Dallaire has been involved in real estate since 1965.

**Paul Forest, C.A., Trustee, Executive Vice-President and Chief Financial Officer**

Mr. Paul Forest has been Executive Vice-President and Chief Financial Officer of Cominar since March 1998. He will have been President and Chief Executive Officer of Macyro Group Inc. from 1993 to May 1998. Prior to joining Macyro Group Inc., Mr. Forest was a partner in the chartered accounting firm of Dionne, Forest, Kirouac. Mr. Forest holds a bachelor of commerce degree from Université Laval.

**Michel Dallaire, eng., Trustee, Executive Vice-President, Operations**

Mr. Michel Dallaire has been Executive Vice-President, Operations of Cominar since 1986. He worked for Dupuis Côté, an engineering firm, from 1984 to 1986. Mr. Dallaire holds a bachelor of science degree in engineering from Université Laval.

**Me Michel Paquet, Trustee, Executive Vice-President, Legal Affairs and Secretary**

Me Michel Paquet has been Executive Vice-President, Legal Affairs of Cominar since 1986. Me Paquet was a member of the law firm of Charest & Associés of Québec from 1983 to 1986. Prior to such date, he was a member of the law firm of Paradis, Chabot & Paquet in Thetford Mines from 1979 to 1983. Me Paquet holds a bachelor of law degree from Université de Sherbrooke.

**Michel Ouellette, E.A., Executive Vice-President, Acquisitions and Development**

Mr. Michel Ouellette has been Executive Vice-President, Acquisitions and Development of Cominar since 1987. He worked, from 1978 to 1987, for the accounting firm of Coopers & Lybrand, specializing in real estate activities. Prior to such date, he worked several years in mortgage financing.

**Noël Ferland, Vice-President, Retail Operations**

Mr. Noël Ferland has been Vice-President, Retail Operations of Cominar since 1986. Prior to such date, he was a manager for ten years for Immeubles Delrano Inc., a major real estate owner in Québec City. Prior to such date, he was a broker for Union Canadienne, Compagnie d'assurance sur la vie for 12 years.

The initial Independent Trustees will be:

**Yvan Caron**

Mr. Yvan Caron has been a director of Place Desjardins Inc. since 1978 and Senior Vice-President of Place Desjardins Inc. since 1984. From 1991 to 1997, he was President of the Fédération des caisses populaires Desjardins de Québec. He was also a director and Chairman of the Board of Groupe-Vie Desjardins Laurentienne until May 1997. Prior to such date, he was General Manager and Secretary of Caisse populaire Québec-Est from 1973 to 1991.

**Robert Després, O.C.**

Mr. Robert Després has been Chairman of the Board of Directors of Alliance Forest Products Inc. since 1994. He is also a director of Industries Amisco Ltée (a furniture manufacturer), Printera Corporation (a printing company), Les Mines McWatters Inc. (a mining company) and Unimedia Inc. (a newspaper publisher). Mr. Després was a director of Campeau Corporation (a real estate company) from 1978 to 1992 and of Camdev Corporation (a real estate company) from 1992 to 1996.

**Pierre Gingras**

Mr. Pierre Gingras is President of Placements Moras (a real estate investment company). He was the co-founder and Vice-President of Jacques G. Parent Inc., a firm of actuaries. From 1965 to 1989, he was Sales Manager at Industrial Alliance, Life Insurance Company. Mr. Gingras is also a director of Fédération des caisses populaires Desjardins de Québec and of The Imperial Life Insurance Company.

**Ghislaine Laberge**

Ms. Ghislaine Laberge has been a consultant in real estate investments since 1995. From 1992 to 1994, she was Vice-President, Mortgage Investments of Assurance-Vie Desjardins. Prior to such date, she was Vice-President, Mortgage Investments of Caisse de dépôt et placement du Québec from 1987 to 1992. Ms. Laberge has been a director of Cadim Inc., an affiliate of Caisse de dépôt et placement du Québec, since July 1993. She is also a director of Société Hypothèques C.D.P.Q. (S.E.N.C.), an affiliate of Caisse de dépôt et placement du Québec.

**Richard Marion**

Mr. Richard Marion has been General Manager of Société en commandite immobilière Solim ("Solim"), a limited partnership, and President of Actigest Inc. since 1996. From 1994 to 1995, he was a consultant in real estate management for Solim. Prior to such date, he was Vice-President, Finance of Famcorp Inc. from 1986 to 1993. From 1983 to 1985, he was President of his own management consulting firm, Rima Management Ltd. He was also a director of Les Immeubles Trans-Québec Inc. from 1976 to 1983. He is a Certified Management Accountant, Certified Property Manager and Professional Administrator.

**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 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 10% of Units then outstanding).

On the Closing, the Trustees will appoint an Investment Committee consisting of three Trustees. The Investment Committee will recommend to the Trustees whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of investments and borrowings (including the assumption or granting of any immovable hypothec or mortgage) by the REIT. The Trustees may delegate to the Investment Committee the power to approve or reject proposed acquisitions, dispositions or borrowings, as the case may be, provided that the Trustees must approve any transaction where the acquisition, disposition or borrowing, as the case may be, would be in or for an amount in excess of 10% of Adjusted Unitholders' Equity. Investment Committee approval is not required for the renewal, extension or modification of any existing immovable hypothec or mortgage (including the Assumed Hypothecs) or for the transactions contemplated by the Purchase Agreements.

**Audit Committee**

The Contract of Trust requires the creation, subject to applicable law, of an Audit Committee, consisting of at least three 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 10% of Units then outstanding). The Trustees have appointed an Audit Committee consisting of three Trustees.

**Compensation and Governance Committee**

The Contract of Trust requires the creation, subject to applicable law, of a Compensation and Governance Committee, consisting of at least three 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 Trustees.

**Remuneration of Trustees and Officers**

A person who is employed by and receives salary from the REIT will not receive any remuneration from the REIT for serving as a Trustee. Trustees who are not so employed will receive remuneration from the REIT in the amount of $8,000 per year and $500 for each meeting of Trustees attended by the Trustee. In all cases, Trustees will be entitled to reimbursement from the REIT of their out-of-pocket expenses incurred in acting as Trustees.

It is anticipated that, on or prior to the Closing, employment contracts will be entered into between the REIT and the officers of the REIT which will include terms and conditions determined by the Compensation and Governance Committee to be appropriate. The employment arrangements for the officers of the REIT are to include a bonus plan. Such plan is to tie bonuses to the REIT achieving annual cash flow in excess of a targeted return on Unitholders' equity. In addition, the officers of the REIT are entitled to participate in the Unit Option Plan described under "Unit Option Plan".

**Unit Option Plan**

Prior to the completion of this Offering, the REIT will adopt a unit option plan (the "Unit Option Plan"). Participation in the Unit Option Plan will be restricted to the Trustees (subject to applicable law), officers and employees of the REIT, all as selected by the Compensation and Governance Committee of the Trustees. The options will have a maximum term of five years. The options will be exercisable at a price not less than the fair market value of the Units. The maximum number of Units reserved for issuance pursuant to the Unit Option Plan is 1,450,000 Units.

## INVESTMENT GUIDELINES AND OPERATING POLICIES

**Investment Guidelines**

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

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

(i) the REIT will focus its acquisition activities on existing income-producing properties that are capital property of the REIT, including office, retail, industrial and mixed use properties, that are substantially leased;

(ii) notwithstanding anything in the Contract of Trust to the contrary, the REIT shall not make any investment or take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" and of a "unit trust" within the meaning of the *Tax Act* that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans, that would result in the REIT being liable under the *Tax Act* to pay a tax imposed as a result of holdings by the REIT of foreign property as defined in the *Tax Act*, that would result in Units being foreign property for the purposes of the *Tax Act* or that would result in the

REIT paying a tax under the registered investment provisions of the *Tax Act* for exceeding certain investment limits;

(iii) the REIT may invest in a joint venture arrangement only if:

(a) the arrangement is one pursuant to which the REIT holds an interest in immovable property jointly or in common with others ("joint venturers") either directly or through the ownership of an interest in a corporation or other entity (a "joint venture entity") as co-owners and not as partners and such immovable property is capital property of the REIT and if owned through the ownership of an interest in a joint venture entity, the said immovable property is capital property of the joint venture entity;

(b) the REIT's interest in the joint venture arrangement is not subject to any restriction on transfer other than a right of first refusal, if any, in favour of the joint venturers;

(c) the REIT has a right of first refusal to buy the interests of the other joint venturers;

(d) the joint venture arrangement provides an appropriate buy-sell mechanism to enable a joint venturer to purchase the other joint venturers' interests or to sell its interest;

(e) the joint venture arrangement provides that the liability of the REIT to third parties is joint and not solidary (the common law equivalent being "several and not joint and several"), provided however, that subject to any remedies that each joint venturer may have against the other joint venturers, a joint venturer shall be hypothecarily liable to the full extent of the property and that, further, may be required to give up its interest in any particular property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property; and

(f) the joint venture arrangement permits, but does not require, the REIT or its designee to participate fully in the management thereof;

(iv) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, some or all of the receivables under the Instalment Receipt Agreement (see "Details of the Receipt Units Offering — Instalment Receipts") or in money market instruments of, or guaranteed by, a Schedule 1 Canadian bank maturing prior to one year from the date of issue, the REIT may not hold securities other than securities of a joint venture entity or an entity or corporation wholly owned by the REIT formed and operated solely for the purpose of holding a particular immovable property or immovable properties or some or all of the receivables under the Instalment Receipt Agreement or for any purpose relating to the activities of the REIT, and provided further that, notwithstanding anything contained in the Contract of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;

(v) except as otherwise prohibited in the Contract of Trust, the REIT may invest in interests (including ownership and leasehold interests) in income-producing immovable property in Canada and the United States that is capital property of the REIT;

(vi) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in immovable property that is capital property of the REIT;

(vii) the REIT shall not invest in operating businesses or other specialty real estate or acquire interests in general partnerships or limited partnerships;

(viii) the REIT shall not invest in raw land for development except for properties adjacent to existing properties of the REIT for the purpose of (a) the renovation or expansion of existing facilities that are capital property of the REIT, or (b) the development of new facilities which will be capital property of the REIT;

(ix) the REIT may invest in immovable hypothecs, mortgages and hypothecary or mortgage bonds (including, with the consent of a majority of the Trustees, a participating or convertible immovable hypothec or mortgage) where:

(a) the immovable property which is security therefor is income-producing immovable property which otherwise meets the general investment guidelines of the REIT adopted by the Trustees from time to time in accordance with the Contract of Trust and the restrictions set out therein;

(b) the amount of the hypothecary or mortgage loan is not in excess of 75% of the market value of the property securing the immovable hypothec or mortgage and the immovable hypothec or mortgage has at least 1.2X debt service coverage;

(c) the immovable hypothec or mortgage is a first-ranking immovable hypothec or mortgage registered on title to the immovable property which is security therefor; and

(d) the aggregate value of the investments of the REIT in these immovable hypothecs and mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;

(x) the REIT may invest in immovable hypothecs or mortgages if the sole intention is to use the acquisition of the immovable hypothecs and mortgages as a method of acquiring control of an income-producing immovable property which would otherwise meet the investment guidelines of the REIT and provided the aggregate value of the investments of the REIT in these immovable hypothecs and mortgages after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;

(xi) at no time will indebtedness aggregating more than 12.5% of Gross Book Value (other than trade payables, accrued expenses and distributions payable) be at floating interest rates or have maturities of less than one year, not including debt with an original maturity of one year or more falling due in the next 12 months; and

(xii) subject to paragraph (ii), the REIT may invest an amount (which, in the case of an amount invested to acquire immovable property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by an immovable hypothec or mortgage on such property) up to 15% of the Adjusted Unitholders' Equity of the REIT in investments or transactions which do not comply with paragraphs (iv), (v), (ix) and (x) under the heading "Investment Guidelines and Operating Policies — Investment Guidelines" or paragraph (iii) under the heading "Investment Guidelines and Operating Policies — Operating Policies".

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture arrangement. Except as specifically set forth above to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the REIT. Nothing in the guidelines prohibits the REIT from holding or assigning some or all of the receivables due pursuant to any instalment receipt agreement.

**Operating Policies**

The Contract of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following policies:

(i) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Policy No. 39 adopted by the Canadian Securities Administrators, as amended from time to time;

(ii) (a) any written instrument creating an obligation which is or includes the granting by the REIT of an immovable hypothec or mortgage, and (b) to the extent the Trustees determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of immovable property;

(iii) the REIT shall not lease or sublease to any person any immovable property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing immovable property, premises or space having a fair market value net of encumbrances in excess of 20% of the Adjusted Unitholders' Equity of the REIT;

(iv) the limitation contained in paragraph (ii) shall not apply to the renewal of a lease or sublease and shall not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:

(a) the Government of Canada, the Government of the United States, and any province of Canada, any state of the United States or any municipality in Canada or the United States, or any agency thereof;

(b) any corporation, the bonds, debentures or other evidences of indebtedness of or guaranteed by which are authorized as an investment for insurance companies pursuant to subsection 86(1)(k) of the *Canadian and British Insurance Companies Act* in effect on December 31, 1991; or

(c) a Canadian chartered bank registered under the laws of a province of Canada;

(v) except for renovation or expansion of existing facilities and the development of new facilities on property adjacent to existing properties of the REIT as permitted under paragraph (viii) under the heading "Investment Guidelines and Operating Policies — Investment Guidelines", the REIT shall not engage in construction or development of immovable property except as necessary to maintain its immovable properties in good repair or to enhance the income producing ability of properties in which the REIT has an interest;

(vi) title to each immovable property shall be drawn up in the name of the Trustees or, to the extent permitted by applicable law, the REIT or a corporation or other entity wholly-owned by the REIT or jointly by the REIT with joint venturers;

(vii) the REIT shall not incur or assume any indebtedness under an immovable hypothec or mortgage unless, at the date of the proposed assumption or incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured on such immovable property or group of immovable properties and (ii) the amount of additional indebtedness proposed to be assumed or incurred does not exceed 75% of the market value of such immovable property or group of immovable properties (other than the renewal, extension or modification of any existing immovable hypothec or mortgage, including without limitation, the Assumed Hypothecs, on substantially similar terms or on terms more favourable to the REIT, in each such case, as determined by a majority of the Trustees);

(viii) the REIT shall not incur or assume any indebtedness (excluding the Instalment Loan) if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 60% of the Gross Book Value;

(ix) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party except indebtedness assumed or incurred under an immovable hypothec or mortgage by a corporation or other entity wholly-owned by the REIT or jointly by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such immovable hypothec or mortgage, if granted by the REIT directly, would not cause the REIT to otherwise contravene the restrictions set out under the heading "Investment Guidelines and Operating Policies", and where such immovable hypothec or mortgage is granted by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property, the liability of the REIT is limited strictly to the proportion of the hypothecary or mortgage loan equal to the REIT's proportionate ownership interest in the joint venture entity;

(x) the REIT shall obtain an independent appraisal of each property that it intends to acquire;

(xi) the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and

(xii) the REIT shall have conducted a Phase I environmental audit of each immovable property to be acquired by it and, if the Phase I environmental audit report recommends a Phase II environmental audit be conducted, the REIT shall have conducted a Phase II environmental audit, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition, shall be satisfactory to the Trustees. All new leases granted by the REIT shall contain appropriate covenants from the lessee respecting environmental matters as determined by the Trustees from time to time.

For the purposes of the foregoing policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture. All of the foregoing prohibitions, limitations or requirements pursuant to the foregoing policies shall be determined as at the date of investment or other action by the REIT.

**Amendments to Investment Guidelines and Operating Policies**

Pursuant to the Contract of Trust, all of the investment guidelines set out under the heading "Investment Guidelines and Operating Policies — Investment Guidelines" and the operating policies contained in subparagraphs (v), (vii), (viii), (ix), (x), (xi) and (xii) under the heading "Investment Guidelines and Operating Policies — Operating Policies" may be amended only if such amendment is approved by two-thirds of the votes cast by Unitholders of the REIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended if such amendment is approved by the Trustees and by a majority of the votes cast by Unitholders at a meeting called for such purpose.

## NON-COMPETITION AGREEMENT

**General**

At or prior to the Property Closing, the corporations and partnerships comprising Cominar and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire will enter into the Non-Competition Agreement with the REIT which will restrict certain real estate related activities by them and their spouses (collectively the "Restricted Group").

**Scope of Restrictions and Right of First Refusal**

Except as provided in the Non-Competition Agreement, each member of the Restricted Group will be prohibited from investing in office, retail, industrial or mixed use properties, unless the REIT has been offered such investment in accordance with the terms of the Non-Competition Agreement. The Non-Competition Agreement will provide that each member of the Restricted Group, during the term of any lease of a tenant of any Property or within 60 days after the expiry thereof, will not solicit such tenant to move to a building in which the REIT does not have an interest. The foregoing restriction will not apply to a tenant which has ceased to be a tenant of any property of the REIT which requires additional space which the REIT is unable to accommodate.

The restrictions in the Non-Competition Agreement will apply to properties in Canada only.

The Non-Competition Agreement will also provide for a right of first refusal in favour of the REIT with respect to any proposed sale of any office, retail, industrial or mixed use property owned by any member of the Restricted Group pursuant to a third party offer to purchase which such member is prepared to accept, for the same price and on the same terms and conditions as such third party offer to purchase.

**Term of Restrictions**

The restrictions in the Non-Competition Agreement will apply to Cominar until the occurrence of the later of the following events: (i) one year after the Dallaire Family, directly or indirectly, ceases to own, in the aggregate, at least 10% of the Units then outstanding; and (ii) Mr. Jules Dallaire ceases to be bound by the Non-Competition Agreement and ceases to have an active role in the management of Cominar.

Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire will be bound by such restrictions until one year after the occurrence of the later of the following events: (i) he ceases to be a Trustee, officer or employee of the REIT; and (ii) if he has an interest in Cominar, whether as a shareholder, director or officer of a corporation comprising Cominar or as a partner of a partnership comprising Cominar, (a) he ceases to have such an interest or (b) the Dallaire Family, directly or indirectly, ceases to own at least 10% of the Units then outstanding. Upon any of Messrs. Jules Dallaire, Michel Dallaire or Alain Dallaire ceasing to be bound by such restrictions, his spouse will also cease to be so bound.

A breach of the Non-Competition Agreement by Mr. Jules Dallaire or his spouse (so long as he has an active role in the management of Cominar) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses. A breach of the Non-Competition Agreement by Mr. Michel Dallaire or his spouse (so long as he has an active role in the management of Cominar) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses. A breach of the Non-Competition Agreement by Mr. Alain Dallaire or his spouse (so long as he has an active role in the management of Cominar) shall entitle the Compensation and Governance Committee to terminate his employment with the REIT without entitlement to severance, in addition to all of its other recourses.

**Exclusions From Restrictions**

The restrictions in the Non-Competition Agreement will not apply to the Restricted Group with respect to any real estate other than office, retail, industrial or mixed use properties or with respect to any investments in respect of which any member of the Restricted Group has no active management or which they do not control.

In addition, any member of the Restricted Group and his spouse shall have the right to invest in and develop any of the Excluded Property or any immovable property transmitted by way of donation, will, succession or bequest to him or her, provided that in either case, as soon as practicable (but in any event within 90 days) after the date on which such property is substantially non-residentially leased, the REIT is offered the opportunity to purchase their interest at fair market value, except however in the case of immovable property transmitted at arm's length by way of donation, will, succession or bequest which is gratuitous and stipulates inalienability. The REIT will also be offered the opportunity to purchase at fair market value, from an affiliate of Cominar, an industrial property located in Québec City which is subject to an offer to purchase by such affiliate accepted by the property's owner, as soon as practicable (but in any event within 90 days) after the date on which such property is substantially non-residentially leased, and provided the ownership of the property has been effectively transferred to such affiliate or Cominar.

However, no exclusion limits the restriction on soliciting tenants as described above.

## PRO FORMA CAPITALIZATION OF THE REIT

The following table sets forth the pro forma capitalization of the REIT as at March 31, 1998 and May 8, 1998, before and after giving effect to this Offering. Such table should be read in conjunction with the financial statements contained in this prospectus.

| | Amount authorized to be issued | As at May 8, 1998 | As at May 8, 1998 (Before giving effect to this Offering) | As at May 8, 1998 (After giving effect to this Offering) |
|---|---|---|---|---|
| Hypothecs payable(1) | | $ — | $ — | $120,424,281 |
| Unitholders' equity(2)(3)(4)(5) | | $10.00 | $10.00 | $137,460,000(3) |
| Total | | $10.00 | $10.00 | $257,884,281 |
| Number of Units(4)(5) | unlimited | 1 | 1 | 14,500,000 |
| Equity per Unit(5) | | $10.00 | $10.00 | $ 9.48 |

Notes:

(1) See "Properties — Assumed Hypotecs" for details of hypothecs payable.

(2) On May 8, 1998, the REIT entered into an agreement to issue 8,300,000 Receipt Units for net cash proceeds of $75,460,000, after payment of the Underwriters' Fee of $4,980,000, the discount on Instalment Receipts of $1,460,000 and expenses of the Offering estimated to be $1,100,000.

(3) See pro forma balance sheet of the REIT as at March 31, 1998 for details of Unitholder's equity.

(4) At the Property Closing, the REIT will issue to Cominar 6,200,000 Cominar Units in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the

REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering. No Underwriters' Fee will be payable in connection with the distribution of the Cominar Units. In addition, 1,245,000 Receipt Units will be issuable on the exercise of the Over-Allotment Option.

(5) If the Over-Allotment Option is exercised in full, the Unitholders' equity, the Number of Units and the Equity per Unit will be $148,943,080, 15,745,000 and $9.46, respectively.

## CONTRACT OF TRUST AND DESCRIPTION OF UNITS

The following is a summary of certain terms of the Contract of Trust which, together with other summaries of the terms of the Contract of Trust appearing elsewhere in this prospectus, are qualified in their entirety by reference to the text of the Contract of Trust.

### General

The REIT is an unincorporated trust created pursuant to the Contract of Trust and governed by the laws of the Province of Québec.

### 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. Upon the Closing of this Offering, there will be 14,500,000 Units outstanding, of which 8,300,000 will be Receipt Units and 6,200,000 will be Cominar Units. At the Property Closing, the Cominar Units will be issued to Cominar in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering. The Cominar Units have the same attributes as the Receipt Units. The Receipt Units and the Cominar Units are collectively referred to herein as the "Units". A further 1,450,000 Units are issuable on exercise of options granted under the Unit Option Plan (see "Unit Option Plan"). No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate equally and ratably in any distributions by the REIT and, in the event of any required distribution of all of the property of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be issued in registered form, will be non-assessable when issued and are transferable. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

The Units shall be issued upon the terms and subject to the conditions of the Contract of Trust, which Contract of Trust shall be binding upon all holders of Units and by acceptance of the certificate representing such Units, the holder thereof shall agree 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 will 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 Cominar Trustees for so long as Cominar 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 Cominar Trustees for so long as Cominar 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 *Canada Business Corporations Act*.

Unitholders may attend and vote at all meetings of the Unitholders either 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. Unitholders do not have any preemptive 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 (see "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 shall inform 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 holders of Units 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 will furnish 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 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 *Canada Business Corporations Act*.

### 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 eleven 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 to conform the Contract of Trust to the disclosure in the final prospectus (or any subsequent amended prospectus) for this Offering;

(v) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws;

(vi) 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

(vii) 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 Matter" means any decision:

(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 (see "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.

The Purchase Agreements, the Non-Competition Agreement, the Depositary Agreement, the License Agreement, the Instalment Loan and the Instalment Loan Hypothec will be subject to the approval of the majority of Independent Trustees only.

### Cominar Trustees

Pursuant to the Contract of Trust, Groupe Cominar Inc. (an affiliate of Cominar) will be entitled to appoint four Trustees on behalf of Cominar, provided that Cominar holds at least 10% of the Units then outstanding.

### Income Tax Matters

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.

## DETAILS OF THE RECEIPT UNITS OFFERING

This Offering consists of 8,300,000 Receipt Units at a price of $10.00 per Receipt Unit which are being sold on an instalment basis. The Initial Instalment of $6.00 per Receipt Unit is payable on the Closing which is expected to occur on or about May 21, 1998 (but not later than June 18, 1998) and the Final Instalment of $4.00 per Receipt Unit is payable no later than the first anniversary of the Closing (the "Final Instalment Date"). Prior to the receipt by the Custodian (as defined below) of the payment in full of the Final Instalment, beneficial ownership of the Receipt Units will be represented by Instalment Receipts and the Receipt Units will be pledged in accordance with the terms and conditions of the Instalment Receipt Agreement.

**Instalment Receipts**

The following is a summary of the material attributes and characteristics of the Instalment Receipts and the rights and obligations of registered holders of Instalment Receipts (each, a "Holder" and collectively, the "Holders"). This summary does not purport to be complete and reference is made to the instalment receipt and pledge agreement (the "Instalment Receipt Agreement") to be dated as of the date of the Closing among the REIT, the Underwriters, each Purchaser (as defined in the Instalment Receipt Agreement) and the Custodian appointed to hold the Receipt Units pledged to the REIT. A copy of the Instalment Receipt Agreement will be available for inspection (in draft form prior to Closing and in executed form thereafter) at the principal offices of the Custodian in Montreal and Toronto.

The Initial Instalment of $6.00 per Receipt Unit is payable on the Closing which is expected to occur on May 21, 1998 (or on any other date which may be agreed upon but no later than June 18, 1998) and the Final Instalment of $4.00 per Receipt Unit is payable on or before the Final Instalment Date. The Final Instalment must be received by the Custodian no later than 5:00 p.m. (local time) on the Final Instalment Date.

Holders will be bound by the terms of the Instalment Receipt Agreement. At the Closing, the Underwriters will pledge the Receipt Units to the REIT to secure the obligation to pay the Final Instalment. The Receipt Units will be registered in the name of the Custodian and certificates representing the Receipt Units will be delivered to the Custodian to be held by it on behalf of the REIT until the Final Instalment relating to such Receipt Units has been fully paid to the Custodian on or before the Final Instalment Date. By acquiring and holding an Instalment Receipt, a Holder acknowledges (i) that the Receipt Units represented thereby are subject to the pledge and will be held as continuing security for the obligations of such Holder to pay the Final Instalment relating to such Receipt Units and the costs of sale of such Receipt Units (such costs of sale not to exceed $1.00 per Receipt Unit), and (ii) the pledge will remain in effect and be binding notwithstanding any transfer of or other dealings with the Instalment Receipt and the rights evidenced or arising thereby. Subject to the pledge, beneficial ownership of the Receipt Units will be held by the Holders.

Following payment of the Initial Instalment, beneficial ownership of the Receipt Units will be represented by the Instalment Receipts. Certificates evidencing the Instalment Receipts will be available for delivery at the Closing. An Instalment Receipt will, among other things, evidence that the Initial Instalment has been paid in respect of the number of Receipt Units specified therein and the right of the Holder thereof, subject to compliance with the provisions of the Instalment Receipt Agreement, to become the registered holder of such Receipt Units upon payment in full of the Final Instalment with respect to such Receipt Units.

By becoming a Holder of an Instalment Receipt, a person is deemed: (i) to have assumed the obligations to pay the Final Instalment (and to thereupon receive a certificate representing Receipt Units) (the REIT's rights to which will be hypothecated and charged in favour of the lenders providing the Instalment Loan pursuant to the Instalment Loan Hypothec), and (ii) to have acquired the Receipt Units, represented by the Instalment Receipt subject to the pledge of such Units which secures such obligations (the REIT's rights to which will be hypothecated and charged in favour of the lenders providing the Instalment Loan pursuant to the Instalment Loan Hypothec).

Not less than 30 days before the Final Instalment Date, the Custodian will be required to mail a notice of the instalment payment date and of the amount of the instalment to Holders of record on a date not more than 14 days before the date of mailing. Timely payment of the Final Instalment is required when due whether or not a Holder receives a notice from the Custodian. Subject to the requirements of the Instalment Receipt Agreement, as soon as practicable after timely payment of the Final Instalment and presentation and surrender of the Instalment Receipt certificate, the Receipt Units represented thereby will be registered in the name of, and a certificate evidencing Receipt Units will be forwarded to, the Holder of the Instalment Receipt, without additional charge.

A Holder will be entitled to pay the Final Instalment, in accordance with the provisions of the Instalment Receipt Agreement, at any time before the Final Instalment Date, and shall become, following payment in full of such instalment, the registered holder of the Receipt Units evidenced by the Instalment Receipt.

**Rights and Privileges**

Under the Instalment Receipt Agreement, Holders will have the same rights and privileges, and will be subject to the same limitations, as registered holders of Receipt Units, except for certain rights and privileges, described below, which are limited under the Instalment Receipt Agreement in order to protect the value of the collateral secured by the pledge to the REIT of the Receipt Units represented by the Instalment Receipts (and hypothecated and charged by the REIT in favour of the lenders providing the Instalment Loan pursuant to the Instalment Loan Hypothec) or except where the exercise of such rights and privileges would not be practicable. In particular, a Holder will be entitled under arrangements through the Custodian, in the manner set forth in the Instalment Receipt Agreement, unless the Holder has defaulted on its obligations thereunder, to participate fully in all distributions in respect of the Receipt Units represented by such Instalment Receipts, to exercise the votes attached to the Receipt Units represented by such Instalment Receipts, and to receive periodic reports and other materials in like manner as if it were the registered holder of the Receipt Units.

In particular, the Instalment Receipt Agreement will provide that distributions on Receipt Units which are declared to be payable in cash to Unitholders of record on or before the Final Instalment Date will be remitted, net of any applicable withholding taxes, to persons who, on the applicable distribution record date in respect of such Receipt Units, are Holders. Distributions in respect of Receipt Units paid in additional Units will be registered in the name of the Custodian and will be pledged to the Custodian as security for the performance of the obligations of the Holders to pay the Final Instalment, and upon payment of the Final Instalment shall be distributed to the Holders according to their entitlement. The REIT will covenant in the Instalment Receipt Agreement that until the Final Instalment Date, the REIT will not:

(i) except pursuant to the Rights Plan and Distribution Reinvestment Plan, issue or distribute to all, or substantially all, of the Holders of Receipt Units, any: (a) securities; (b) options, rights or warrants to purchase any securities; (c) securities convertible into or exchangeable for securities, property or other assets; (d) evidence of indebtedness; or (e) any property or assets (other than cash distributions), whether of the REIT or of any other person; or

(ii) subdivide, consolidate, reclassify or make any other change in the Receipt Units or effect any reorganization, arrangement, merger, transfer or sale of all, or substantially all, of its assets, or any other similar transaction affecting the REIT or the Units.

**Transfer of Instalment Receipts**

Transfers of Instalment Receipts will be registrable at the principal stock transfer office of the Custodian in Montreal and Toronto. Upon registration of the transfer of an Instalment Receipt, the transferee will acquire the transferor's rights, subject to the pledge in favour of the REIT (and hypothecated and charged by the REIT in favour of the lenders providing the Instalment Loan pursuant to the Instalment Loan Hypothec), and become subject to the obligations of a Holder under the Instalment Receipt Agreement, including the assumption by the transferee of the obligation to pay the Final Instalment. The person requesting registration of the transfer of an Instalment Receipt is deemed to warrant such person's authority to do so as or on behalf of the transferee. Upon registration of such transfer, the transferor will cease to have any further rights or obligations thereunder (other than certain obligations specified in the Instalment Receipt Agreement). No transfer of an Instalment Receipt tendered for registration after the Final Instalment Date will be accepted for registration (subject to certain exceptions applicable to intermediaries holding Instalment Receipts on behalf of non-registered holders).

**Liability of Instalment Receipt Holders**

The Underwriters will pledge the Receipt Units to the REIT to secure payment of the Final Instalment relating to such Receipt Units. If payment of the Final Instalment is not received by the Custodian from a Holder when due, the REIT may, at its option, subject to applicable law and the provisions of the Instalment Receipt Agreement, (i) acquire the Receipt Units (and any additional or substituted property) in full satisfaction of the obligations of the Holder to pay the Final Instalment, or (ii) direct the Custodian to sell the Receipt Units (and any additional or substituted property), to apply the proceeds of such sale (after deducting therefrom the reasonable costs of such sale, which may not exceed $1.00 per Receipt Unit) to pay the Final Instalment and to pay any balance to the Holder. In such circumstances, Holders may wish to consult their own legal advisors with respect to their rights under applicable law. **The sale of the Receipt Units will not limit any other remedies available to the REIT against the applicable Holder in the event that the net proceeds of such sale are insufficient to pay the Final Instalment and the reasonable costs of such sale (which may not exceed $1.00 per Receipt Unit). In such circumstances, the applicable Holder will remain liable to the REIT for any such deficiency.**

Holders who are non-residents of Canada will be required to pay the cost of all withholding taxes payable in respect of any distributions of income by the REIT. Non-residents should consult independent tax counsel regarding the tax consequences of investing in the Receipt Units.

**General Information Regarding the Instalment Receipts**

The Custodian may require Holders from time to time to furnish such information and documents as may be necessary or appropriate to comply with any fiscal or other laws or regulations relating to the Receipt Units or to the rights and obligations represented by Instalment Receipts. The Custodian shall not be responsible for any taxes, duties, governmental charges or expenses which are or may become payable in respect of the Receipt Units or Instalment Receipts. In this regard, the Custodian shall be entitled to deduct or withhold from any payment or other distribution required or contemplated by the Instalment Receipt Agreement such money or property or to require holders of Instalment Receipts to make any required payments, and to withhold delivery of certificates representing the Receipt Units from defaulting Holders until satisfactory provision for payment is made, in respect of any taxes, duties or other governmental charges or expenses required by applicable law to be withheld or paid.

The REIT will be liable for charges and expenses of the Custodian except for any taxes, duties and other governmental charges which may be payable by holders of Instalment Receipts as described above.

## DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT as contained in the Contract of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders.

**General**

The REIT will distribute to Unitholders monthly, on or about the $15^{th}$ day in each calendar month (other than January) and on December 31 in each calendar year (a "Distribution Date"), not less than 85% of the Distributable Income of the REIT for the preceding calendar month and, in the case of distributions made on December 31, for the calendar month then ended. Unitholders also are entitled to receive a distribution on December 31 of each year of: (i) the net realized capital gains of the REIT and the net recapture income of the REIT for the year then ended; and (ii) any excess of the income of the REIT for the purposes of the *Tax Act* over distributions otherwise made for that year.

Distributions are made in cash. Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees' estimates for the prior periods.

If the Trustees anticipate a cash shortfall and determine that it would be in the best interests of the REIT, they may reduce for any period the percentage of Distributable Income to be distributed to Unitholders.

It is the current intention of the REIT to distribute 95% of yearly Distributable Income. Monthly distributions will be based on the Trustees' estimate of yearly Distributable Income, subject to adjustment from time to time throughout the year.

**Computation of Distributable Income for Distribution Purposes**

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

**Computation of Net Realized Capital Gains and Net Recapture Income**

The net realized capital gains of the REIT for any year means the amount, if any, by which the capital gains of the REIT for the year exceed the aggregate of (i) the amount of any capital losses of the REIT for the year and

(ii) the amount of any net capital losses of the REIT from prior years to the extent not previously deducted. The net recapture income of the REIT for any year means the amount, if any, by which the amount required to be included in the income of the REIT for income tax purposes for such year in respect of recapture of capital cost allowance previously claimed by the REIT exceeds terminal losses realized by the REIT in the year.

**Tax Deferral on 1998 and 1999 Distributions**

Management estimates that approximately 58% of the distributions to be made by the REIT to Unitholders in 1998 and approximately 69% in 1999 will be tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions. In the year of acquisition of a property, capital cost allowance is restricted to one-half of the normal annual rates. The percentage amount of the tax deferral for 1998 is lower due in part to the "half-year rule" in respect of capital cost allowance under the *Tax Act*. The adjusted cost base of Units held by a Unitholder will generally, subject to certain conditions under the *Tax Act*, be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholders' Units would otherwise be a negative amount. See "Canadian Federal Income Tax Considerations".

**1998 Distributions to Unitholders**

Assuming that 95% of the forecast Distributable Income is distributed in 1998, cash distributions to Unitholders are estimated by the REIT to be $9,017,400 in the aggregate. See "Financial Forecast".

## DISTRIBUTION REINVESTMENT PLAN

On or following the Closing, subject to regulatory approval, the REIT will adopt a distribution reinvestment plan (the "Distribution Reinvestment Plan"), pursuant to which Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for Units on the stock exchanges on which the Units are listed for the twenty trading days immediately preceding the relevant Distribution Date. No brokerage commissions will be payable in connection with the purchase of Units under the Distribution Reinvestment Plan and all administrative costs will be borne by the REIT. Proceeds received by the REIT upon the issuance of additional Units under the Distribution Reinvestment Plan will be used by the REIT for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada will be entitled to participate in the Distribution Reinvestment Plan unless prohibited by law of the jurisdiction in which they reside. Unitholders who are resident in the United States or who are United States citizens will not be entitled to participate in the Distribution Reinvestment Plan.

Administrative details and enrolment documents regarding the Distribution Reinvestment Plan will be forwarded to registered Unitholders prior to the third Distribution Date.

The issue of Units under the Distribution Reinvestment Plan may not be exempt from the registration and prospectus requirements of relevant securities legislation in certain provinces of Canada. In addition, Units issued under the Distribution Reinvestment Plan may not be freely tradeable under the provisions of such legislation until the REIT has been a reporting issuer for at least 12 months. If necessary, the REIT will make applications for discretionary relief from the applicable securities regulatory authorities in order to permit such Units to be issued and to be freely tradeable. The Units issued pursuant to the Distribution Reinvestment Plan will not trade on any stock exchange until the Units are listed and posted for trading on such exchange.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodman Phillips & Vineberg, Montreal, a general partnership, counsel to the REIT, and of Desjardins Ducharme Stein Monast, a general partnership, counsel to the Underwriters, the following summary fairly presents the principal Canadian federal income tax considerations generally applicable to prospective purchasers of Units pursuant to this prospectus who, for the purposes of the *Tax Act*, are resident in Canada, deal at arm's length with the REIT and will hold their Units as capital property. Provided that a Unitholder does not hold Units in the course of carrying on a business or as an adventure in the nature of trade, Units will generally be considered to be capital property to such Unitholder.

The summary is of a general nature only and is based upon the facts set out in this prospectus, the current provisions of the *Tax Act*, the Regulations thereunder, counsel's understanding of the current administrative practices of Revenue Canada, Customs, Excise & Taxation ("Revenue Canada") and the specific proposals to amend the *Tax Act* and Regulations thereunder ("Tax Proposals") announced by the Minister of Finance (Canada) prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial tax considerations. With respect to opinions and views based on representations and statements as to matters of fact, Counsel has assumed the accuracy of such representations and statements in giving such opinions and views.

**THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PROSPECTIVE UNITHOLDER. ACCORDINGLY, PROSPECTIVE UNITHOLDERS SHOULD CONSULT WITH THEIR TAX ADVISERS FOR ADVICE WITH RESPECT TO THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.**

**Qualification as a Mutual Fund Trust**

This summary assumes that the REIT will qualify as a "unit trust" and a "mutual fund trust" as defined in the *Tax Act* on closing and will thereafter continuously qualify as a mutual fund trust.

To qualify as a "mutual fund trust", the REIT must be 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), and must have at least 150 Unitholders holding not less than a prescribed number of Units 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 $500.00.

This summary assumes that the REIT will be able to elect to be deemed to be a "mutual fund trust" from the date it is established. This summary also assumes that the REIT is not established or maintained primarily for the benefit of non-residents. As well, this summary assumes that the REIT will list the Units on a prescribed stock exchange in Canada within the time prescribed in the *Tax Act*. The REIT has advised counsel that it expects that it will be able to elect to be a "mutual fund trust" from the date it is established and that it will qualify as a "mutual fund trust" upon closing and continue to qualify as a "mutual fund trust" under the provisions of the *Tax Act* and the balance of this summary assumes that the REIT does and will continue to so qualify. 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 by non-resident persons which are contained in the Contract of Trust.

If the REIT were not to qualify as a "mutual fund trust", the income tax considerations as described below would, in some respects, be materially different.

It should be noted that although the REIT will qualify as a "mutual fund trust" under the provisions of the *Tax Act*, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

**Taxation of the REIT**

The REIT will generally be subject to tax under the *Tax Act* in respect of its taxable income and net realized capital gains in each taxation year except to the extent such taxable income and net realized capital gains are paid or payable in such year to Unitholders and deducted by the REIT for tax purposes.

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*.

Generally speaking, it is a question of fact whether or not a trust and a third party deal with one another at arm's length and unless the facts indicate otherwise, Revenue Canada will consider a trust and a beneficiary and a trust and its settlor not to be dealing with one another at arm's length. However, based on the terms of the Prospectus, Contract of Trust and the representations made to Counsel by the Trustees and Cominar, Counsel is of the view that the REIT and Cominar should be regarded as dealing with one another at arm's length with respect to the acquisition by the REIT of the Portfolio and the Assets, such that the rules in the *Tax Act* to the effect that where a taxpayer such as the REIT acquires depreciable property from a person with whom it does not deal at arm's length, the capital cost upon which the taxpayer may claim capital cost allowance in respect of the property acquired may be adversely affected (which may otherwise limit capital cost allowance) should not apply with respect to the said acquisition of the Portfolio and the Assets by the REIT.

The REIT will apply to be a "registered investment" under the *Tax Act*. Assuming the REIT becomes a "registered investment" it may be liable to pay a special penalty tax under Part XI of the *Tax Act* by reason of failing to comply with certain restrictions relating to the acquisition of foreign property (as defined in the *Tax Act*) or by entering into agreements to buy shares of a corporation at a price that may differ from the fair market value thereof. The REIT has advised counsel that it will restrict its investments so as to ensure that it will not become liable for such tax.

**Taxation of Unitholders**

A Unitholder is required to include in computing income for tax purposes in each year the portion of the amount of net income and net taxable capital gains of the REIT, determined for the purposes of the *Tax Act*, paid or payable to such Unitholder in the year that the REIT deducts in computing its income for tax purposes.

The Contract of Trust provides that income and net taxable capital gains for purposes of the *Tax Act* will be allocated to Unitholders in the same proportion as distributions received by Unitholders, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances.

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 income of the REIT for tax purposes for that year. Distributions in excess of the REIT's taxable income in a year will not be included in computing the income of the Unitholders from the REIT for tax purposes. However, a Unitholder is required to reduce the adjusted cost base to him of his Units by the portion of any amount paid or payable to him by the REIT (other than the non-taxable portion of certain capital gains) that was not included in computing his income and will realize a capital gain in the year to the extent the adjusted cost base of his 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 Unitholders 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 Unitholders in the year as a taxable capital gain.

Upon the disposition or deemed disposition by a Unitholder of a Unit, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base to the Unitholder of the Unit immediately before the disposition and any costs of the disposition. The adjusted cost base to a Unitholder of a Unit will include all amounts paid or payable under the Instalment Receipt Agreement. Similarly, the proceeds of disposition of a Unit will include the amount of any unpaid instalment. The adjusted cost base to a Unitholder of a Unit will be determined by averaging the adjusted cost base of all Units owned by a Unitholder at a particular time. The cost to a Unitholder on the payment of net realized capital gains or income will be the amount reinvested or paid.

The portion of capital gains to be included in computing a Unitholder's income ("taxable capital gains"), whether realized through the REIT or on a disposition of Units, and the portion of capital losses deductible from taxable capital gains ("allowable capital losses") is 75%.

In general terms, net income of the REIT paid or payable or deemed paid or payable in the year to an individual Unitholder will not increase the Unitholder's liability under the *Tax Act* for minimum tax for that year.

Net realized capital gains paid or payable to the Unitholder by the REIT or realized on a disposition of Units may increase his liability for such tax.

Where the collateral that is constituted by a Unit is accepted by the REIT or its assignee in full satisfaction of the obligations of a Unitholder to pay the final instalment, as a consequence of the Unitholder's failure to pay the final instalment, the Unitholder will be subject to certain specific rules contained in the *Tax Act* and such Unitholder is advised to contact his tax advisor with respect to such rules. Where the collateral is sold by the Custodian as a consequence of the Unitholder's failure to pay the Final Instalment, the amount realized by the Custodian, net of any costs of disposition, will constitute proceeds of disposition to the Unitholder which may result in a capital loss or a capital gain.

The REIT is of the view that, having regard to the remoteness of the possibility that a Flip-in Event under the Rights Plan will occur such that the Rights will ever become exercisable (see "Unitholders' Rights Plan" below), the Rights will have no value at the time of their acquisition. If a holder of a Unit is considered to have acquired the Unit and the Right as two separate properties, the holder will be required to allocate the purchase price between the Unit and the Right attached thereto to determine their respective costs for purposes of the *Tax Act*. If a holder of a Unit is considered to have acquired the Unit and to have received the Right from the REIT as a benefit, the holder will be required to include in computing its income for the year of acquisition the value of the benefit received from the REIT in the year. On the assumption that the fair market value of a Right received on the acquisition of a Unit is of no value, it would be reasonable to allocate the full amount of the purchase price to the Unit and nothing to the Right and not to include any amount in computing its income for the year from the REIT in respect of the Right.

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

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

**Eligibility of Units**

Provided that the REIT qualifies at all times as a "mutual fund trust" for purposes of the *Tax Act* (see "Qualification as a Mutual Fund Trust"), the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Plans"), subject to the specific provisions of any particular Plan. Plans will generally not be liable for tax in respect of any distributions received from the REIT or any capital gain arising on the disposition of Units.

Provided that the REIT meets the requirements to be and, at all times remains, a "registered investment" within the meaning of the *Tax Act*, Units of the REIT will not constitute foreign property for Plans, registered pension funds or plans or other persons subject to tax under Part XI of the *Tax Act*. The Contract of Trust provides that the REIT will not make any investment that would result in the REIT being liable under the *Tax Act* to pay a tax imposed as a result of holdings by the REIT in foreign property.

## UNITHOLDERS' RIGHTS PLAN

The REIT proposes to establish a Unitholders' rights plan (the "Rights Plan") prior to the Closing. The Rights Plan will utilize the mechanism of the Permitted Bid (as hereinafter described) to ensure that a person seeking control of the REIT gives Unitholders and the Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or else such bidders are subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and must be open for 60 days after the bid is made. If more than 50% of the Units held by Independent Unitholders (as hereinafter defined) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units. The take-over bid must then be extended for a further period of ten days on the same terms to allow initially those Unitholders who did not initially tender their Units to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten days after the expiry of the initial tender period. The Rights Plan will likely make it impractical for any person, other than grandfathered transferees, to acquire more than 20% of the outstanding Units without the approval of the Trustees except pursuant to the permitted bid procedures or pursuant to certain other exemptions outlined below. Management believes that the Rights Plan taken as a whole should not be an unreasonable obstacle to a serious bidder willing to make a *bona fide* and financially fair offer open to all Unitholders.

The terms of the Rights Plan will be established on a basis that takes account of concerns expressed by institutional investors with respect to certain of the provisions of such plans. The provisions of the plan relating to portfolio managers are designed to prevent the triggering of the plan by virtue of the customary activities of such persons (see "Portfolio Managers" below).

**Summary**

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan.

**Term**

The Rights Plan will be in full force and effect from and after the date of the Closing (the "Effective Date"). The term of the Rights Plan will be five years, subject to reconfirmation by Unitholders at the annual meeting of the Unitholders of the REIT to be held in 2001.

**Issue of Rights**

On the Effective Date, one right (a "Right") will be issued and attached to each outstanding Unit of the REIT. One Right will also attach to any subsequently issued Units. The initial exercise price of the Rights is $100 (the "Exercise Price"), subject to appropriate anti-dilution adjustments.

**Rights Exercise Privilege**

The Rights will separate from the Units to which they are attached and will become exercisable at the time (the "Separation Time") that is ten trading days after the earlier of (i) a person having acquired, or (ii) the commencement or announcement date in respect of a take-over bid to acquire 20% or more of the Units of the REIT, other than by an acquisition pursuant to a Permitted Bid or by an acquisition by Cominar (or transferee thereof) in certain circumstances.

The acquisition by a person (an "Acquiring Person"), including others acting in concert, of 20% or more of the Units of the REIT, other than by way of a Permitted Bid or by Cominar (or transferee thereof) in certain circumstances, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of $200, on payment of $100 (i.e., at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Units, reported earnings per Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

**Certificates and Transferability**

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Units. Prior to the Separation Time, Rights will not be transferable separately from the attached Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Units.

**Permitted Bid Requirements**

The requirements of a Permitted Bid include the following:

(i) The take-over bid must be made by way of a take-over bid circular.

(ii) The take-over bid must be made for all Units and to all holders of Units, other than the bidder.

(iii) The take-over bid must not permit Units tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days and then only if at such time more than 50% of the Units held by Unitholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder (the "Independent Unitholders") have been tendered pursuant to the take-over bid and not withdrawn.

(iv) If more than 50% of the Units held by Independent Unitholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Units for an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 21 days, it may expire on the same date as the Permitted Bid.

**Waiver and Redemption**

The Trustees may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. At any time prior to the occurrence of a Flip-in Event, the Trustees may, at their option, redeem all, but not less than all, of the outstanding Rights at a price of $0.001 each.

**Waiver of Inadvertent Flip-in Event**

The Trustees may, prior to the close of business on the tenth day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, provided such person is not an Acquiring Person at the time of the grant of the waiver.

**Portfolio Manager**

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers including trust companies and other persons where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

**Supplement and Amendments**

The REIT is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or to maintain the validity of the Rights Plan as a result of changes in law or regulation.

**Eligibility for Investment in Canada**

Provided that the REIT qualifies and remains qualified as a mutual fund trust for purposes of the *Tax Act* at all material times, based on current legislation, the Rights will each be qualified investments under the *Tax Act* for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Based on current legislation, the issue of Rights will not affect the status under the *Tax Act* of the Units for such purposes nor will it affect the eligibility of such securities as investments for investors governed by certain Canadian federal and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

**General**

Until a Right is exercised, the holders thereof, as such, will have no rights as a Unitholder.

## LEGAL PROCEEDINGS

The REIT, Cominar and Mr. Jules Dallaire, either collectively or independently or in any combination thereof, are not currently involved, either as plaintiff or defendant, in any litigation or lawsuits which are material in nature or amount to the REIT or the Properties and the Assets.

## RISK FACTORS

There are certain risks inherent in an investment in the Units and in the activities of the REIT, including the following, which investors should carefully consider before investing in the Units.

**Absence of Prior Public Market**

The REIT is a newly-formed unincorporated trust. The REIT cannot predict at what prices the Units or the Instalment Receipts will trade and there can be no assurance that an active trading market in the Units or the Instalment Receipts will develop or be sustained.

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 appraisal.

One of the factors that may influence the market price of the Units or the Instalment Receipts 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 or the Instalment Receipts. In addition, the market price for the Units or the Instalment Receipts 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.

**Ownership of Immovable Property**

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

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The REIT's income and Distributable Income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in 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 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 Portfolio is comprised of office, retail, industrial and mixed use properties. Although the average lease term in the Portfolio is approximately 4.2 years from March 1, 1998, the REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties of such nature. See "Properties — Leasing Activity".

The REIT will be subject to the risks associated with debt financing, including the risk that existing hypothecary indebtedness secured by the 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 the respective Properties in relation to the time at which hypothecary indebtedness on such Properties becomes due for refinancing.

Certain of the leases of the 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 Portfolio which could be affected and operating revenues derived therefrom are not significant.

**Competition**

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

In addition, numerous other developers, managers and owners of properties will 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.

**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.

**Government Regulation**

The REIT and the Portfolio are subject to various governmental legislation and regulation. Any change in such legislation or regulation adverse to the REIT and the Portfolio 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. Notwithstanding the above, the REIT is not aware of any material non-compliance, liability or other claim in connection with any of the Properties, nor is the REIT aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditure by the REIT. It is the REIT's operating policy to obtain a Phase I environmental assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property. Phase I environmental assessments have been performed in respect of each of the Properties and did not reveal any material environmental concerns. Phase II environmental assessments have also been performed on eleven of the Properties and did not reveal any environmental concerns which could materially adversely affect the REIT, its financial condition or its operations. Cominar Management estimates that the cost of any remedial work required will not exceed $100,000. It is expected such work will be completed by Cominar, at its cost, by December 31, 1998. The Purchase Agreements will contain environmental representations, warranties and indemnities in favour of the REIT from Cominar. See "Environmental and Engineering" and "Acquisition of the Portfolio and Assets by the REIT — Purchase Agreements".

**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 mortgages 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. In the opinion of Goodman Phillips & Vineberg, Montreal, a general partnership, counsel to the REIT, and Desjardins Ducharme Stein Monast, a general partnership, counsel to the Underwriters, 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, including its interest in the Portfolio, 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. In the opinion of Goodman Phillips & Vineberg, Montreal, a general partnership, and Desjardins Ducharme Stein Monast, a general partnership, 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.

Cominar will use all reasonable efforts to obtain acknowledgments from the hypothecary creditors under the Assumed Hypothecs that the Assumed Hypothec obligations will not be binding personally upon the Trustees, the Unitholders or any annuitant.

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

As it is intended that the employees of Cominar relating to the management of the Portfolio be transferred to the REIT or a wholly-owned subsidiary of the REIT, those obligations to employees of Cominar who become employees of such subsidiary, to the extent required by applicable law to be assumed by their new employer, including those obligations arising from their past service with Cominar, may be incumbent not upon the REIT but upon such subsidiary 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.

**Dependence on Key Personnel**

The management of the REIT depends on the services of certain key personnel, including Mr. Jules Dallaire. The loss of the services of any of these key personnel could have an adverse effect on the REIT.

**Potential Conflicts of Interest**

The REIT may be subject to various conflicts of interest because of the fact that Cominar 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 Cominar or an affiliate thereof, or with an associate of a non-Independent Trustee or Cominar may be made by a majority of the Independent Trustees only. The non-Independent Trustees may attempt to influence the Independent Trustees in this regard.

The Contract of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon. See "Management of the REIT — Conflict of Interest Restrictions and Provisions". The REIT will enter into the Non-Competition Agreement with the corporation and partnerships comprising Cominar and Messrs. Jules Dallaire, Michel Dallaire and Alain Dallaire, which will address certain potential conflicts of interest. See "Non-Competition Agreement".

**General Uninsured Losses**

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

**Status For Tax Purposes and Investment Eligibility**

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. Although the REIT intends to qualify as a "mutual fund trust" under the *Tax Act*, if the REIT fails or ceases to so qualify, the Units will not be qualified investments or will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. In addition, the REIT will then 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 including non-resident persons and registered retirement savings plans, registered retirement income tax funds and deferred profit sharing plans that acquired an interest in the REIT directly or indirectly from another Unitholder. If the REIT fails or ceases to qualify as a "mutual trust fund" and a "registered investment" under the *Tax Act*, the Units will not be or will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. The REIT will endeavour to ensure that the Units constitute and continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. The *Tax Act* imposes penalties for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time. See "Eligibility for Investment" and "Canadian Federal Income Tax Considerations" .

**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, including under the Unit Option Plan. Additional Units may also be issued pursuant to the Distribution Reinvestment Plan or the Rights Plan. Any issuance of Units may have a dilutive effect on the purchasers of Units offered hereby.

## PLAN OF DISTRIBUTION

Under the Underwriting Agreement, the REIT has agreed to sell and TD Securities Inc., Lévesque Beaubien Geoffrion Inc., HSBC James Capel Canada Inc., Midland Walwyn Capital Inc., Research Capital Corporation and Desjardins Securities Inc., have severally (and not solidarily) agreed in the proportions set out in the Underwriting

Agreement to purchase on May 21, 1998 or on such other date as may be agreed upon but in any event not later than June 18, 1998, subject to the terms and conditions stated therein, an aggregate of 8,300,000 Receipt Units at a purchase price of $10.00 per Receipt Unit, for an aggregate consideration of $83,000,000. The purchase price of $10.00 per Receipt Unit is payable in instalments consisting of (i) the Initial Instalment of $6.00 per Receipt Unit payable to the REIT by the Underwriters against delivery of the Receipt Units and (ii) the Final Instalment of $4.00 per Receipt Unit payable on or before the first anniversary of Closing by registered holders of Instalment Receipts. The REIT has agreed to pay the Underwriters a fee of $0.60 per Receipt Unit purchased by the Underwriters, being an aggregate of $4,980,000. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events (including their assessment of the state of the financial markets) and are conditional upon the completion of the transactions contemplated by the Purchase Agreements. The Underwriters are however obligated to take up and pay for all such Receipt Units if any such Receipt Units are purchased under the Underwriting Agreement.

This Prospectus also qualifies the distribution of 6,200,000 Cominar Units to be issued to Cominar in partial payment of the consideration payable to Cominar for the Portfolio and the Assets under the Purchase Agreements referred to under "Acquisition of the Portfolio and Assets by the REIT" at a price per Cominar Unit equal to the price per Receipt Unit to the public pursuant to this Offering. The Cominar Units and the Receipt Units have the same attributes. No Underwriters' fee will be payable in connection with the distribution of the Cominar Units.

In addition, the REIT has granted to the Underwriters an option (the "Over-Allotment Option") exercisable for a period of 60 days from the Closing, to purchase an aggregate of up to 1,245,000 Receipt Units (represented by Instalment Receipts) on the same basis as set forth above solely to cover over-allotments, if any. The REIT has agreed to pay the Underwriters a fee of $0.60 per Receipt Unit in respect of Receipt Units purchased pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the gross proceeds to the REIT will be $157,450,000 and the net proceeds to the REIT will be $151,723,000 after deducting the Underwriters' fee but before the estimated expenses of this Offering. This Prospectus also qualifies the distribution of the Receipt Units sold pursuant to the exercise of the Over-Allotment Option.

In connection with this Offering, subject to the foregoing, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units or Instalment Receipts at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase any Units or Instalment Receipts. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such 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 Units or Instalment Receipts. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

The Units and the Instalment Receipts have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "1933 Act") and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell these securities within the United States. In addition, until 40 days after the commencement of this Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

The REIT has agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities.

Prior to this Offering, there has been no public market for the Units. The initial offering price of the Units offered by the Underwriters has been determined by negotiation between the REIT and the Underwriters.

The REIT has agreed that it will not, without the prior consent of the Underwriters, offer, sell or otherwise dispose of any Units or any securities convertible into or exchangeable or exercisable for Units (other than the Receipt Units offered hereby, the Cominar Units, Units issuable upon exercise of Rights under the Rights Plan, Units issuable pursuant to the Distribution Reinvestment Plan and Units issuable pursuant to the exercise of the options granted under the Unit Option Plan) for a period of 180 days from the date of this prospectus or agree to do so or publicly announce any intention to do so.

Cominar has agreed with the REIT and the Underwriters to certain restrictions on the resale of the Cominar Units issued to it pursuant to the Purchase Agreements. Cominar will undertake not to resell any Cominar Units during the first year following the Closing. Thereafter, Cominar will be permitted to sell up to 12.5% of the Cominar Units in each of the second, third, fourth and fifth years following the Closing, on a cumulative basis. Notwithstanding the foregoing, Cominar will be entitled, at any time, to sell Cominar Units to satisfy tax liabilities of Cominar or the Dallaire Family and shall also be entitled to hypothecate such Cominar Units to secure indebtedness of up to 75% of the then market value of such Cominar Units. At any time and from time to time, Cominar will also be entitled to transfer Cominar Units to (i) wholly-owned subsidiaries, (ii) a Cominar entity, or (iii) a member of the Dallaire Family, provided such transferee assumes all of the obligations of the transferor pursuant to (i) the Non-Competition Agreement, (ii) the indemnity obligations of the transferor pursuant to the Purchase Agreements and (iii) the Underwriting Agreement, and provided further the transferor remains liable for such obligations.

Lévesque Beaubien Geoffrion Inc., one of the Underwriters, is controlled by a Canadian chartered bank which is one of Cominar's principal lenders and which is providing a portion of the Instalment Loan. Desjardins Securities Inc., one of the Underwriters, is controlled by a Québec financial institution which is one of Cominar's principal lenders. Such bank and such financial institution were not involved in the decision to distribute the Receipt Units. Lévesque Beaubien Geoffrion Inc. and Desjardins Securities Inc. will not receive any benefit in connection with this Offering other than their pro rata portion of the Underwriters' Fee payable by the REIT. Cominar will also be providing a portion of the Instalment Loan.

The Cominar Units will be issued at the Property Closing to Cominar under the Purchase Agreements. The rights issuable under the Rights Plan referred to under "Unitholders' Rights Plan" will be issued at the Closing.

## PRIOR SALES AND PRINCIPAL HOLDER

The REIT issued one Unit to 3466736 Canada Inc. for $10.00 on March 31, 1998, which Unit was sold to TD Securities Inc. and Lévesque Beaubien Geoffrion Inc. on April 1, 1998 for $10.00.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Messrs. Jules Dallaire, Michel Dallaire, Michel Paquet and Michel Ouellette, who are Trustees and/or officers of the REIT, are shareholders or associates of shareholders of corporations or partners in partnerships which are parties to one or more the Contract of Trust, Purchase Agreements, the Depositary Agreement, the License Agreement, the Non-Competition Agreement, the Instalment Loan and the Instalment Loan Hypothec.

## MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, entered into or proposed to be entered into by the REIT:

(i) the Contract of Trust;
(ii) the Distribution Reinvestment Plan;
(iii) the Instalment Loan;
(iv) the Instalment Loan Hypothec;
(v) the Instalment Receipt Agreement;
(vi) the Non-Competition Agreement;
(vii) the Place de la Cité Loan;
(viii) the Purchase Agreements;
(ix) the Rights Plan;
(x) the Underwriting Agreement; and
(xi) the Unit Option Plan.

Copies of the contracts set out above may be inspected during ordinary business hours at the offices of the REIT, 455 Marais Street, City of Vanier, Québec G1M 3A2, during the period of distribution of the securities offered hereunder and for a period of 30 days thereafter.

## PROMOTERS

Immeubles Cominar Inc., Société en nom collectif Cominar and Société en commandite Cominar have taken the initiative in founding and organizing the REIT and may therefore be considered promoters of the REIT for purposes of applicable securities legislation.

## LEGAL MATTERS

Legal matters in connection with the offering of the Units will be passed upon on behalf of the REIT by Goodman Phillips & Vineberg, Montreal, a general partnership and on behalf of the Underwriters by Desjardins Ducharme Stein Monast, a general partnership. Title matters relating to the Portfolio will be passed upon by Côté, Taschereau, Samson, Demers (Notaries), Larochelle, Lachance, Douville, Delamarre, Martel, LaRue (Notaries) and Guy Charest (Notary).

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are Price Waterhouse, Chartered Accountants, Tour de la Cité, 870-2600 Laurier Boulevard, City of Sainte-Foy, Québec, G1V 4W2.

The registrar and transfer agent for the Units is General Trust of Canada at its principal offices in Montreal and Toronto.

## PURCHASERS' STATUTORY RIGHTS

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

## COMINAR

## COMBINED STATEMENT OF INCOME BEFORE INCOME TAXES AND CASH FLOWS FROM OPERATIONS

## AUDITORS' REPORT

**To the Owners of Cominar**

We have audited the combined statement of income before income taxes and cash flows from operations of the income properties owned by Cominar for the years ended December 31, 1997 and October 31, 1997, 1996 and 1995. This combined statement is the responsibility of Cominar's management. Our responsibility is to express an opinion on this combined statement based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined statement.

In our opinion, this combined statement presents fairly, in all material respects, the results of operations before income taxes and the cash flows from operations for the years ended December 31, 1997 and October 31, 1997, 1996 and 1995 in accordance with generally accepted accounting principles.

Québec City, Canada
May 1, 1998

(signed) PRICE WATERHOUSE
Chartered Accountants

## COMINAR

### Combined Statement of Income before Income Taxes and Cash Flows from Operations

### (in thousands of dollars)

| | Year ended | | | |
|---|---|---|---|---|
| | | October 31, | | |
| | December 31, 1997 | 1997 | 1996 | 1995 |
| **Operating revenues** | | | | |
| Rentals from income properties | $40,320 | $40,254 | $39,612 | $39,121 |
| **Operating expenses** | | | | |
| Property operating costs | 10,998 | 10,801 | 11,072 | 10,531 |
| Realty taxes | 7,370 | 7,290 | 6,790 | 6,719 |
| Property management expenses | 829 | 801 | 958 | 1,069 |
| | 19,197 | 18,892 | 18,820 | 18,319 |
| **Net Operating Income** | 21,123 | 21,362 | 20,792 | 20,802 |
| Interest on hypothecs | 13,634 | 14,071 | 15,111 | 15,519 |
| Depreciation — buildings | 1,321 | 1,335 | 1,344 | 1,360 |
| Depreciation — tenant improvements | 2,940 | 2,952 | 2,815 | 2,629 |
| Amortization of deferred expenses | 176 | 176 | 120 | 140 |
| Loan interest | 366 | 352 | 439 | 1,240 |
| **Income (loss) before income taxes** | 2,686 | 2,476 | 963 | (86) |
| **Add** | | | | |
| Depreciation — buildings | 1,321 | 1,335 | 1,344 | 1,360 |
| **Cash flow from operations** | $ 4,007 | $ 3,811 | $ 2,307 | $ 1,274 |

*See accompanying notes to the combined statement of income before income taxes and cash flows from operations.*

# COMINAR

## Notes to Combined Statement of Income before Income Taxes and Cash Flows from Operations

## Years ended December 31, 1997 and October 31, 1997, 1996 and 1995
## (in thousands of dollars)

**1. Basis of presentation**

The combined statement of income before income taxes and cash flows from operations includes the operations of a portfolio of 51 income properties representing the entire portfolio of income properties owned and managed by Cominar. Cominar means, collectively, Immeubles Cominar Inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships. This statement is prepared from the historical records of the owners.

**2. Significant accounting policies**

a) **Nature of the combined statement**

This combined statement of income before income taxes and cash flows from operations does not include all revenues and expenses of the owners, nor does it include a provision for income taxes which are payable by the owners.

b) **Depreciation and amortization**

Depreciation of buildings is recorded on a 5% sinking fund basis to fully amortize the cost of buildings over 40 years.

Depreciation of tenant improvements is recorded on the straight-line basis over the terms of the related leases.

Amortization of deferred leasing expenses such as commissions, free rent and tenant inducements is recorded on the straight-line basis over the terms of the related leases.

**3. Related party transactions**

Cominar had transactions in the normal course of business with companies controlled by members of the Dallaire Family. These transactions are measured at exchange amounts and are summarized below:

| | December 31, | October 31, | | |
|---|---|---|---|---|
| | 1997 | 1997 | 1996 | 1995 |
| Rental from income properties | $1,223 | $1,218 | $1,061 | $1,182 |
| Property operating costs | $1,749 | $1,836 | $1,447 | $1,450 |
| Property management expenses | $ 224 | $ 203 | $ 253 | $ 332 |

## COMINAR REAL ESTATE INVESTMENT TRUST

## PRO FORMA STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

## COMPILATION REPORT

**To the Trustees of**
**Cominar Real Estate Investment Trust**

We have reviewed, as to compilation only, the accompanying pro forma statement of income and distributable income of Cominar Real Estate Investment Trust for the year ended December 31, 1997. This pro forma statement has been prepared for inclusion in the prospectus relating to the sale and issue of Units. In our opinion, the pro forma statement of income and distributable income has been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

Québec City, Canada
MAY 8, 1998

(signed) PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

## COMINAR REAL ESTATE INVESTMENT TRUST

### Pro Forma Statement of Income and Distributable Income

**Year ended December 31, 1997**
**(in thousands of dollars except per unit amount)**

| | Actual<br>(Audited) | Adjustments | Pro forma<br>(Compilation) |
|---|---|---|---|
| **Operating revenues** | | | |
| Rentals from income properties | $40,320 | — | $40,320 |
| **Operating expenses** | | | |
| Property operating costs | 10,998 | — | 10,998 |
| Realty taxes | 7,370 | — | 7,370 |
| Property management expenses (note 2(a)) | 829 | (263) | 566 |
| | 19,197 | (263) | (18,934) |
| **Net Operating Income** | 21,123 | 263 | 21,386 |
| Interest on hypothecs (note 2(b)) | 13,634 | (5,249) | 8,385 |
| Depreciation — buildings (note 2(c)) | 1,321 | 498 | 1,819 |
| Depreciation — tenant improvements (note 2(c)) | 2,940 | (2,640) | 300 |
| Amortization of deferred expenses (note 2(d)) | 176 | (62) | 114 |
| **Operating income from real estate assets** | 3,052 | 7,716 | 10,768 |
| **Trust expenses** (note 2(e)) | — | 565 | 565 |
| | 3,052 | 7,151 | 10,203 |
| **Other** | | | |
| Loan interest (note 2(f)) | (366) | (1,692) | (2,058) |
| Instalment receipt interest income (note 2(g)) | — | 1,460 | 1,460 |
| Other income (note 2(h)) | — | 700 | 700 |
| Net income | 2,686 | 7,619 | 10,305 |
| **Add (deduct)** | | | |
| Depreciation — buildings | 1,321 | 498 | 1,819 |
| Instalment receipt interest income | — | (1,460) | (1,460) |
| **Distributable income** | $ 4,007 | $6,657 | $10,664 |
| **Distributable income per unit** | | | $ 0.735 |

*See accompanying notes to pro forma statement of income and distributable income.*

# Notes to Pro Forma Statement of Income and Distributable Income

## Year ended December 31, 1997
## (in thousands of dollars)

**1. Basis of presentation**

Cominar Real Estate Investment Trust (the "REIT") was created pursuant to the Contract of Trust made as of March 31, 1998. The REIT proposes to issue Units pursuant to a public offering for net cash proceeds of $137,460, and to acquire a 100% interest in a portfolio of 51 properties and equipments for $241,037 plus additional acquisition costs of $3,740. The proceeds of the Offering are assumed to be used to fund the cash portion of the purchase price, pay land transfer tax and acquisition costs and $120,424 is assumed to be satisfied by the REIT assuming the hypothecs that will be in existence immediately following Closing. A portion of the purchase price will be paid by the issuance of 6,200,000 Units to Cominar. Cominar means, collectively, Immeubles Cominar Inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships. The balance of cash not required to fund the purchase price will be retained as working capital. This pro forma statement of income and distributable income gives effect to these transactions as if they had occurred on January 1, 1997.

Under the terms of the Over-Allotment Option, the Underwriters have the option to purchase an additional 1,245,000 Units. This pro forma statement of income and distributable income does not give effect to the exercise of the Over-Allotment Option.

The amounts shown under the column "Actual (Audited)" represents the combined results of Cominar included elsewhere herein, which includes 51 properties.

**2. Pro forma adjustments**

**(a) Property management expenses**

Certain property management expenses have been reclassified as trust expenses.

**(b) Interest on hypothecs**

The interest on hypothecs has been adjusted to reflect the hypothec balances assumed by the REIT on acquisition of the Properties in the amount of $120,424 at the weighted average annual interest rate of 7.1%.

**(c) Depreciation**

Depreciation of buildings has been adjusted to reflect the cost of the Properties to the REIT. Depreciation of tenant improvements has been adjusted to reflect the depreciation of the costs expected to be incurred by the REIT during the first year.

**(d) Amortization of deferred expenses**

Amortization of deferred expenses has been adjusted to reflect the amortization of the costs expected to be incurred by the REIT during the first year.

**(e) Trust expenses**

Trust expenses have been adjusted to reflect costs expected to be incurred by the REIT.

**(f) Loan interest**

Loan interest has been adjusted to give effect to a one-year loan for $33,200 at 6.2% per annum and secured by the REIT's entitlements under the Final Instalments and the pledge of the Receipt Units sold.

**(g) Instalment Receipt interest income**

Instalment Receipt interest income has been adjusted to reflect that 60% of the issue price of the Receipt Units will be paid in cash at closing and 40% will be receivable after one year, without interest. The Instalment Receipts receivable has been discounted using a 4.4% discount rate.

**(h) Other income**

Other income has been adjusted to reflect that cash balances will be invested in treasury bills or similar short-term securities at an annual rate of 4.18%.

**3. Distributable income**

Distributable income will equal 100% of the accounting income as calculated under generally accepted accounting principles, adjusted by adding back depreciation expense on the buildings and deducting instalment receipt interest income.

**4. Distributable income per unit**

Distributable income per unit is based on distributable income divided by the weighted average number of units outstanding during the year.

## COMINAR REAL ESTATE INVESTMENT TRUST

## BALANCE SHEET

## AUDITORS' REPORT

**To the Trustees of**
**Cominar Real Estate Investment Trust**

We have audited the balance sheet of Cominar Real Estate Investment Trust as at March 31, 1998. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this financial statement presents fairly, in all material respects, the financial position of the Trust as at March 31, 1998, in accordance with generally accepted accounting principles.

Québec City, Canada
March 31, 1998 except for note 2
which is at May 8, 1998

(signed) PRICE WATERHOUSE
Chartered Accountants

**COMINAR REAL ESTATE INVESTMENT TRUST**

**Balance Sheet**

**As at March 31, 1998**

| | |
|---|---|
| Cash | $10 |
| Unitholder's Equity | $10 |

On behalf of the Trustees:

(signed) JULES DALLAIRE

(signed) PAUL FOREST

*See accompanying notes to balance sheet*

## COMINAR REAL ESTATE INVESTMENT TRUST

### Notes to the Balance Sheet

### As at March 31, 1998

**1. The REIT**

Cominar Real Estate Investment Trust is an unincorporated closed-end real estate investment trust created by the Contract of Trust under the laws of the Province of Québec. The Trust was established on March 31, 1998 when one trust unit was issued for $10.

**2. Subsequent event (thousands of dollars)**

On May 8, 1998, the REIT entered into an agreement with a group of underwriters to sell 8,300,000 Receipt Units of the REIT for a gross amount of $83,000 ($75,460 net of costs and the discount on the Instalment Receipts receivable). Concurrently with the Closing of the Offering, the REIT will issue 6,200,000 Cominar Units to Cominar. Cominar means, collectively, Immeubles Cominar Inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships. Under the terms of the Over-Allotment Option, the Underwriters have the option to purchase an additional 1,245,000 Units on the same terms as set forth above. The REIT will adopt a unitholders' rights plan with a term of five years, beginning at the date of the completion of the Offering, whereby one right will be issued and attached to each outstanding Unit of the REIT. One right will also attach to any subsequently issued Units. If a certain event occurs, each right will entitle the registered holders to receive units upon payment of the exercise price. The rights will not separate from the Units, nor will they become exercisable until certain events occur.

At the Closing of the Offering on May 21, 1998, the REIT acquired from Cominar a 100% interest in a portfolio of 51 properties and equipment for a purchase price of $241,037 plus additional acquisition costs of $3,740 to be funded as follows:

| | |
|---|---|
| Cash proceeds from the Offering | $ 29,153 |
| Instalment loan | 33,200 |
| Assumed Hypothecs | 120,424 |
| Issue of Cominar Units | 62,000 |
| | $244,777 |

## COMINAR REAL ESTATE INVESTMENT TRUST

## PRO FORMA BALANCE SHEET

## COMPILATION REPORT

**To the Trustees of**
**Cominar Real Estate Investment Trust**

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of Cominar Real Estate Investment Trust as at March 31, 1998 which has been prepared for inclusion in the prospectus dated May 8, 1998 relating to the sale and issue of Units. In our opinion, the pro forma balance sheet has been properly compiled to give effect to the proposed transaction described in Note 1 thereto.

Québec City, Canada
May 8, 1998

(signed) PRICE WATERHOUSE
Chartered Accountants

## COMINAR REAL ESTATE INVESTMENT TRUST

### Pro Forma Balance Sheet

### As At March 31, 1998 (unaudited)
### (in thousands of dollars)

| | |
|---|---|
| **Assets** | |
| Income properties | $244,777 |
| Instalment receipts receivable | 31,740 |
| Cash | 14,567 |
| | $291,084 |
| **Liabilities and Unitholders' Equity** | |
| **Liabilities** | |
| Hypothecs payable | 120,424 |
| Loan payable | 33,200 |
| | 153,624 |
| **Unitholders' equity** | |
| Proceeds of offering | 145,000 |
| Less: underwriters' fees and offering costs | 6,080 |
| Less: discount on instalment receipts receivable | 1,460 |
| | 137,460 |
| | $291,084 |

On behalf of the Trustees:

(signed) JULES DALLAIRE          (signed) PAUL FOREST

*See accompanying notes to pro forma balance sheet*

# COMINAR REAL ESTATE INVESTMENT TRUST

## Notes to the Pro Forma Balance Sheet

## As at March 31, 1998 (unaudited)
## (in thousands of dollars)

**1. Pro forma assumptions**

The pro forma balance sheet gives effect to the following transactions as if they occured on March 31, 1998.

a) **Equity financing**

The REIT will issue 14,500,000 units for gross proceeds of $145,000 ($137,460 net of costs and the discount on the Instalment Receipts receivable). The offering of 14,500,000 units will include 6,200,000 Units that will be issued to Cominar. Cominar means, collectively, Immeubles Cominar Inc., Société en commandite Cominar and Société en nom collectif Cominar, which are controlled by members of the Dallaire Family, and Société en commandite Desroches, which is controlled by members of management of the foregoing corporation and partnerships. Under the terms of the Over-Allotment Option, the Underwriters have the option to purchase an additional 1,245,000 units on the same terms as set forth above. This pro forma balance sheet does not give effect to the exercise of the over-allotment option. The REIT will adopt a unitholders' rights plan with a term of five years, beginning at the date of the completion of the offering, whereby one right will be issued and attached to each outstanding Unit of the REIT. One right will also attach to any subsequently issued Units. If a certain event occurs, each right will entitle the registered holders to receive Units upon payment of the exercise price. The rights will not separate from the Units, nor will they become exercisable until certain events occur.

b) **Property acquisitions**

The REIT will acquire properties from Cominar for a purchase price of $241,037 plus additional acquisition costs of $3,740 to be funded as follows:

| | |
|---|---|
| Cash proceeds from the Offering | $ 29,153 |
| Instalment Loan | 33,200 |
| Assumed Hypothecs | 120,424 |
| Issue of Cominar Units | 62,000 |
| | $244,777 |

**2. Instalment Receipts receivable**

Under the terms of the public distribution of Receipt Units, 60% of the issue price of each Receipt Unit, totaling $49,800 is paid at the time of issue and 40% or $33,200 is receivable on the first anniversary of the date of issue. The receivable is non-interest bearing and is secured by the REIT's entitlements under the Final Instalments and the pledge of the Receipt Units sold. Accordingly, the receivable has been discounted for the imputed interest of $1,460.

**3. Loan payable**

The REIT will obtain a loan bearing interest at 6.2% secured by the REIT's rights and entitlements under the Final Instalments and the pledge of the Receipt Units sold under the public offering. The loan will be repaid from the proceeds of the repayment of the instalment receipts receivable.

**4. Hypothecs payable**

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.1% and mature between March 1999 and April 2003. Future principal payments are as follows:

| **Periods ending December 31** | |
|---|---|
| 1998 | $ 3,384 |
| 1999 | 4,800 |
| 2000 | 5,153 |
| 2001 | 5,531 |
| 2002 | 5,938 |
| Thereafter | 95,618 |
| | $120,424 |

## CERTIFICATE OF THE REIT AND THE PROMOTERS

Dated: May 8, 1998

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by the Securities Act (Nova Scotia), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part II of the Securities Act (Prince Edward Island) and by Part XIV of The Securities Act (Newfoundland) and the respective regulations thereunder. This prospectus, as required by the Securities Act (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

COMINAR REAL ESTATE INVESTMENT TRUST

(signed) JULES DALLAIRE
President and Chief Executive Officer

(signed) PAUL FOREST
Executive Vice-President and
Chief Financial Officer

**On behalf of the Trustees**

(signed) RICHARD MARION
Trustee

(signed) GHISLAINE LABERGE
Trustee

IMMEUBLES COMINAR INC., as Promoter

By: (signed) JULES DALLAIRE

SOCIÉTÉ EN NOM COLLECTIF COMINAR, as Promoter

By: (signed) JULES DALLAIRE

SOCIÉTÉ EN COMMANDITE COMINAR, as Promoter
by its general partner, IMMEUBLES COMINAR INC.

By: (signed) JULES DALLAIRE

## CERTIFICATE OF THE UNDERWRITERS

Dated: May 8, 1998

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta, by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by the Securities Act (Nova Scotia), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part II of the Securities Act (Prince Edward Island) and by Part XIV of The Securities Act (Newfoundland) and the respective regulations thereunder. To the best of our knowledge, this prospectus, as required by the Securities Act (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

TD Securities Inc.

By: (signed) Allan D. Strathdee

Lévesque Beaubien Geoffrion Inc.

By: (signed) Craig J. Shannon

HSBC James Capel Canada Inc.

By: (signed) Paul Boucher

Midland Walwyn Capital Inc.

By: (signed) Ken Field

Research Capital Corporation

By: (signed) Gordon E. Pridham

Desjardins Securities Inc.

By: (signed) Eric Désormeaux

The following indicates the name of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of:

TD Securities Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Lévesque Beaubien Geoffrion Inc.: a wholly-owned subsidiary of Lévesque Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

HSBC James Capel Canada Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Midland Walwyn Capital Inc.: a wholly-owned subsidiary of Midland Walwyn Inc.;

Research Capital Corporation: P.G. Walsh, J.P. Griffin, J.P. Palumbo, A.C. Selbie and D.H. Wilkes; and

Desjardins Securities Inc.: a wholly-owned subsidiary of Desjardins-Laurentian Financial Corporation, a majority-owned subsidiary of a Québec financial institution.

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