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Initial Public Offering

January 28, 1998

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST



\$196,700,000

14,720,000 Units Represented by Instalment Receipts and 4,950,000 Units

This Prospectus qualifies the distribution of 14,720,000 units of equal beneficial interest represented by Instalment Receipts (the "Receipt Units") and 4,950,000 units of equal beneficial interest (the "LT/Greenwin Units") of Residential Equities Real Estate Investment Trust ("RESREIT") and the rights issuable under the Rights Plan referred to under the heading "Unitholders' Rights Plan". The Receipt Units and the LT/Greenwin Units are collectively referred to as the "Units". The 19,670,000 Units offered hereby comprise 14,720,000 Receipt Units to be distributed to the public and 4,950,000 LT/Greenwin Units (which are fully paid) to be distributed to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group. See "Plan of Distribution" and "Initial Portfolio – Acquisition of the Initial Portfolio".

RESREIT is an unincorporated closed-end investment trust governed by the laws of the Province of Ontario. The business of RESREIT is to invest in income-producing multi-unit residential properties located primarily in Canada that are substantially occupied. See "RESREIT". **RESREIT 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 RESREIT to secure the obligation to pay the final instalment of the purchase price for the Receipt Units. Prior to the final instalment payments, beneficial ownership of the Receipt Units will be represented by instalment receipts (the "Instalment Receipts"). **If a registered holder of an Instalment Receipt does not pay the final instalment on or before the first anniversary of Closing, the Receipt Units represented by such registered holder's Instalment Receipt may, at the option of RESREIT, upon compliance with applicable law, be acquired by RESREIT, 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 Offering".** RESREIT will assign its rights and entitlements under the pledges of the Receipt Units to a Canadian chartered bank to secure a term loan (the "Instalment Loan").

There is currently no market through which the Units may be sold. The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Units and the Instalment Receipts. Listing is subject to RESREIT fulfilling all of the requirements of the TSE, including distribution of the Units and/or Instalment Receipts to a minimum number of public unitholders on or before April 27, 1998. The price of the Units offered hereby was established by negotiation between RESREIT and the Agents. **ScotiaMcLeod, Inc., one of the Agents, is a wholly-owned subsidiary of the Canadian chartered bank which will be providing the Instalment Loan to RESREIT on Closing. See "Use of Proceeds" and "Plan of Distribution". There are certain risk factors inherent in an investment in the Units and in the activities of RESREIT. See "Risk Factors".** In the opinion of counsel, the Units will, at the date of Closing, be eligible for investment under certain statutes as set out under the heading "Eligibility for Investment".

PRICE: \$10 per Unit, of which, in the case of the Receipt Units, \$6 is payable on Closing

	Price to the Public	Agents' Fee ⁽¹⁾	Net Proceeds to RESREIT ⁽²⁾⁽³⁾
Per Receipt Unit			
Initial Instalment	\$ 6.00	\$ 0.575	\$ 5.43
Final Instalment	\$ 4.00	\$ —	\$ 4.00
Total Per Unit	<u>\$ 10.00</u>	<u>\$ 0.575</u>	<u>\$ 9.43</u>
Total Offering	<u>\$196,700,000</u>	<u>\$8,464,000</u>	<u>\$188,236,000⁽⁴⁾</u>

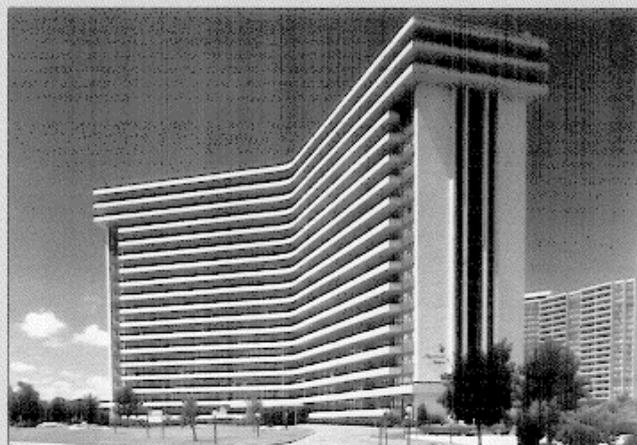
Notes:

- (1) No Agents' Fee is payable in respect of the LT/Greenwin Units distributed to members of the Greenwin Properties Group or members of the Lehndorff Tandem Properties Group.
- (2) After deducting the Agents' Fee but before deducting expenses of the Offering estimated at \$2,500,000 which will be paid by RESREIT from the proceeds of the Offering.
- (3) RESREIT has granted to the Agents an option (the "Over-Allotment Option") exercisable for a period of 30 days from the Closing, to purchase an aggregate of up to an additional 1,967,000 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 Price to the Public will be \$216,370,000, the Agents' Fee will be \$9,595,025 and the Net Proceeds to RESREIT will be \$206,774,975. This Prospectus qualifies the distribution of the Receipt Units issuable on the exercise of the Over-Allotment Option.
- (4) This amount includes \$49,500,000 which is the value of the 4,950,000 LT/Greenwin Units which will be issued by RESREIT on Closing to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group in partial consideration for the acquisition by RESREIT of the Initial Portfolio.

RBC Dominion Securities Inc., ScotiaMcLeod Inc., CIBC Wood Gundy Securities Inc., Nesbitt Burns Inc., HSBC James Capel Canada Inc., Lévesque Beaubien Geoffrion Inc. and TD Securities Inc. (collectively, the "Agents") conditionally offer the Units offered for sale by this Prospectus, as agents on behalf of RESREIT, on a best efforts basis, if, as and when issued and delivered by RESREIT and accepted by the Agents in accordance with the conditions of the Agency Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of RESREIT by Goodman and Carr and on behalf of the Agents by Goodman Phillips & Vineberg, Toronto. Subscriptions for 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 February 16, 1998, but in any event no later than March 15, 1998. Instalment Receipts and LT/Greenwin Units will be available for delivery at Closing. The rights issuable under the Rights Plan referred to under the heading "Unitholders' Rights Plan" will be issued at Closing.



111 Davisville Avenue
Toronto, Ontario



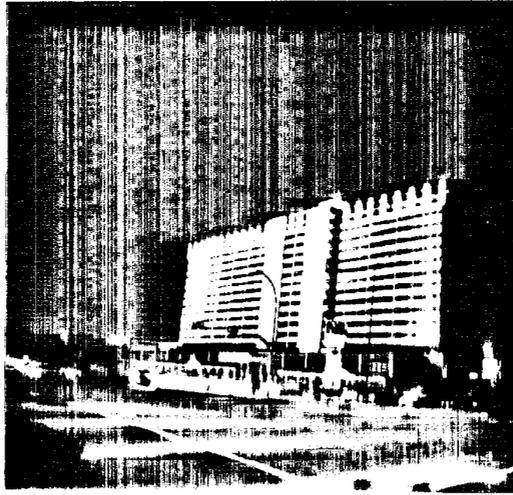
1055 Bloor Street East
Mississauga, Ontario



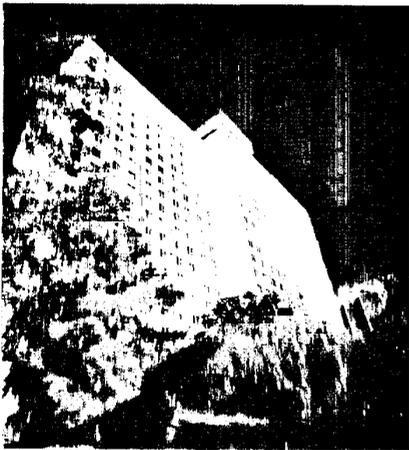
411 Duplex Avenue
Toronto, Ontario



33 Davisville Avenue
Toronto, Ontario



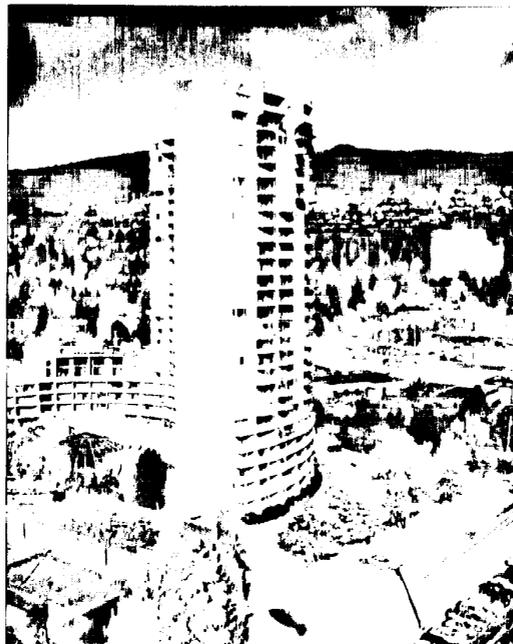
Mayfair Place
Calgary, Alberta



Garneau Towers
Edmonton, Alberta



Pentland Place
Calgary, Alberta



International Plaza
North Vancouver, British Columbia



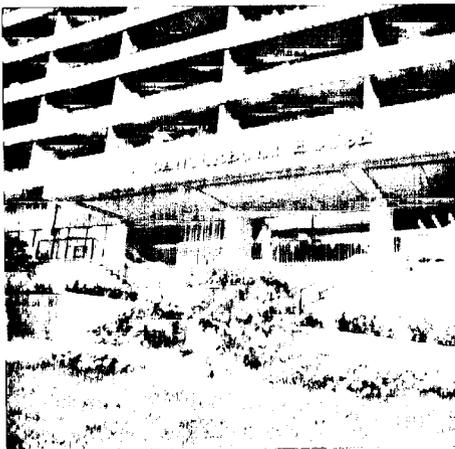
25 Baymills Boulevard
Toronto, Ontario



236 Dixon Road
Etobicoke, Ontario



1&23 Oriole Road
Toronto, Ontario



33 Orchardview Boulevard
Toronto, Ontario



White Oaks Court
Whitby, Ontario

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ELIGIBILITY FOR INVESTMENT

In the opinion of Goodman and Carr, counsel to RESREIT, and Goodman Phillips & Vineberg, Toronto, counsel to the Agents, 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 and, in certain circumstances, the filing of such policies and goals, the Units offered hereby to be issued at Closing will not at the date of their issue be precluded as investments under the following statutes:

<p><i>Insurance Companies Act (Canada)</i> <i>Trust and Loan Companies Act (Canada)</i> <i>Pension Benefits Standards Act, 1985 (Canada)</i> <i>Pension Benefits Act (Ontario)</i> <i>Supplemental Pension Plans Act (Québec)</i> <i>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 corporation)</i></p>	<p><i>An Act respecting trust companies and savings companies (Québec) (for a trust company or savings company, as defined therein, incorporated under the laws of the Province of Québec which invests its own funds)</i> <i>Financial Institution Act (British Columbia)</i> <i>The Insurance Act (Manitoba)</i> <i>The Pension Benefits Act (Manitoba)</i> <i>Loan and Trust Corporations Act (Alberta)</i> <i>The Pension Benefits Act, 1992 (Saskatchewan)</i> <i>Pension Benefits Act (New Brunswick)</i></p>
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In addition, in the opinion of such counsel, and subject to the assumption that certain proposed amendments to the Tax Act will be enacted and certain other assumptions and to the satisfaction of certain requirements including the listing of the Units on a prescribed stock exchange in Canada within the time specified in the Tax Act, the Units will, at the date of Closing, 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 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. See “Canadian Federal Income Tax Considerations”.

SUMMARY

The following is a summary only and is qualified by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Certain terms used in this Prospectus are defined in the Glossary. Unless otherwise noted, the information in this Prospectus does not give effect to any exercise of the Over-Allotment Option covering 1,967,000 Receipt Units described under the heading "Plan of Distribution". All dollar amounts in this Prospectus are in Canadian dollars unless otherwise indicated.

RESREIT

Residential Equities Real Estate Investment Trust ("RESREIT") is an unincorporated closed-end investment trust created by the Declaration of Trust dated October 24, 1997, as amended and restated on January 28, 1998 and governed by the laws of the Province of Ontario.

The objectives of RESREIT are to (i) provide Unitholders with stable and growing cash distributions, payable monthly, and to the extent reasonably possible, tax deferred, from investments primarily in a portfolio of income producing multi-unit residential properties, including ancillary commercial premises, located in Canada, and (ii) to maximize Unitholder value through accretive real property acquisitions which meet the investment criteria of RESREIT and through the application to RESREIT's assets of the operating practices and systems of the experienced management team of the Advisor and the Property Manager. See "RESREIT" and "Investment Restrictions and Operating Policies".

The 27 Properties in which RESREIT will initially have an interest are comprised of 32 residential apartment buildings and one townhouse complex containing an aggregate of 6,838 rental suites, together with approximately 209,000 square feet of ancillary commercial premises. The Initial Portfolio includes 23 Properties located in the Greater Toronto Area, two Properties located in Calgary, Alberta, one Property located in Edmonton, Alberta and one Property located in North Vancouver, British Columbia. The Properties are well located, well maintained and have received the benefit of high quality professional management practices and operating standards as a result of their long term ownership and property management by the Greenwin Properties Group and the Lehndorff Tandem Properties Group. The Advisor intends to concentrate in the near term on future acquisitions of interests in real properties in major urban centres particularly in Ontario, where the experience, expertise and network of the Advisor and the Property Manager will enable RESREIT to more fully benefit from the anticipated relaxation of rent control legislation in Ontario, which legislation is expected to be proclaimed in force in April 1998. See "Residential Tenancy Legislation". Future acquisitions of interests in real properties will be subject to specific investment restrictions and the operation of RESREIT will be subject to specific operating policies. See "Initial Portfolio – Description of the Properties" and "Investment Restrictions and Operating Policies".

The operations of RESREIT, including its investments and management, are subject to the continuing control and direction of the Trustees. The day-to-day management of RESREIT will be carried out by the Advisor. The key personnel of the Advisor are comprised of senior personnel from The Lehndorff Tandem Group and The Greenwin Group. See "Management of RESREIT". The Properties will be managed on behalf of RESREIT by the Property Manager. The Property Manager will employ and be operated by the managers and staff of Lehndorff Tandem Management Inc. ("LTMI") and Greenwin Property Management Inc. ("GPMI") who currently manage and administer substantially all of the Properties. See "Management of the Properties". LTMI and GPMI will each own 50% of the Advisor and the Property Manager.

The Advisor's and Property Manager's operating personnel, practices and systems will result from the combination of the residential management personnel, systems and practices of GPMI and LTMI. GPMI is the property management arm of The Greenwin Group and is one of the leading residential property managers in Canada, managing approximately 7,000 residential suites for its own account and approximately 18,000 residential suites for the accounts of third parties and approximately 3,000,000 square feet of commercial premises in the Greater Toronto Area and in the State of Florida. LTMI is the property management arm of The Lehndorff Tandem Group and is also one of the leading property managers in Canada, managing for its own account and the accounts of third parties, approximately 6,500 residential suites and approximately 12,700,000

square feet of commercial premises. Each of GPMI and LTMI are full service property management companies with in-house leasing, marketing, engineering, construction, energy management, insurance administration, bulk purchasing and realty tax assessment appeal expertise in Ontario, Alberta and British Columbia.

The Lehdorff Tandem Properties represent all of the residential properties over which The Lehdorff Tandem Group has power of disposition and substantially all other residential properties managed by The Lehdorff Tandem Group on behalf of others and which meet the investment criteria of RESREIT. The Greenwin Properties, comprising approximately 3,000 suites, represent substantially all of the residential properties held within The Greenwin Group and owned or controlled jointly by Albert Latner, Abraham Green and Harold Green, directly or indirectly, alone or with others and which meet the investment criteria of RESREIT. RESREIT has a right of first offer with respect to all other residential rental properties owned by Greenwin and Lehdorff Tandem. See "Strategic Alliance and Non-Competition Agreements".

The Offering

Issue:

14,720,000 Receipt Units represented by Instalment Receipts and 4,950,000 LT/Greenwin Units. Up to an additional 1,967,000 Receipt Units represented by Instalment Receipts may be offered upon the exercise of the Over-Allotment Option granted by RESREIT to the Agents.

Immediately following completion of this Offering without giving effect to the Over-Allotment Option, approximately 25% of the outstanding Units will be owned in the aggregate by members of the Greenwin Properties Group and the Lehdorff Tandem Properties Group who have agreed with RESREIT and the Agents to certain restrictions on the resale of all of the LT/Greenwin Units acquired by them. See "Plan of Distribution".

Price:

\$10.00 per Unit, of which, in the case of the Receipt Units, \$6.00 is payable on Closing of the Offering and \$4.00 is payable on or before the first anniversary of Closing.

Distributable Income:

The Distributable Income for RESREIT for the 12 months ending December 31, 1998 is forecast to be \$13,985,000 or \$0.71 per Instalment Receipt and LT/Greenwin Unit based on the assumption that RESREIT acquired or leased the Properties on December 31, 1997. It is intended that RESREIT will acquire or lease, as the case may be, the Properties in February 1998 and accordingly, the forecasted Distributable Income will be apportioned on a pro rata basis to reflect the actual period of ownership or leasing of the Properties by RESREIT. If the Over-Allotment Option is exercised in full, the Distributable Income is forecast for the same period to be \$14,339,060 or \$0.66 per Instalment Receipt and LT Greenwin Unit, respectively, prior to the intended use of net proceeds by RESREIT for future acquisitions of freehold and leasehold interests in real property, working capital, mortgage principal repayment and capital improvements. See "Financial Forecast".

Yield:

Based on the forecast of Distributable Income, the yield for the 12 months ended December 31, 1998 is forecast to be 11.9% on an Instalment Receipt basis and 8.8% on a fully-paid basis. If the Over-Allotment Option is exercised in full, the yield for the 12 months ended December 31, 1998 is forecast to be 11.0% on an Instalment Receipt basis and 8.3% on a fully-paid basis, prior to the intended use of net proceeds by RESREIT for future acquisitions of freehold and leasehold interests in real property, working capital, mortgage principal repayment and capital improvements. See "Financial Forecast".

Attributes of Units:

The Units represent the beneficial ownership interests of the holders thereof in RESREIT. Each Unit carries one vote at meetings of Unitholders and a holder thereof is entitled to distributions as described below. See “Declaration 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 Closing and the final instalment of \$4.00 per Unit is payable on or before the first anniversary of Closing. If a registered holder of an Instalment Receipt does not pay the final instalment on or before the first anniversary of Closing, the Receipt Units represented by such Instalment Receipt may, at the option of RESREIT, upon compliance with applicable law, be acquired by RESREIT, in full satisfaction of the registered holders’ obligation to pay the final instalment payment. 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 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 RESREIT, 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 Offering”.

Use of Proceeds:

The net proceeds to RESREIT of the Offering, after deducting the Agents’ fee and the expenses in respect of the Offering, are estimated to be \$185,735,857 upon receipt of the final instalments (including \$49,500,000 which represents the value of the LT/Greenwin Units to be issued on Closing to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group in partial consideration of amounts payable by RESREIT for the acquisition of the Initial Portfolio). Of this amount, approximately \$173,305,857 (including \$49,000,000 to be drawn by RESREIT under the Instalment Loan on Closing) will be used to satisfy the amount payable in respect of the Initial Portfolio, subject to normal closing adjustments, and to buy down the interest rate on certain mortgages to be entered into or assumed by RESREIT on Closing and the remainder (including up to an additional \$9,880,000 which may be drawn by RESREIT under the Instalment Loan following Closing) will be used for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. The net proceeds to RESREIT, if any, from the sale of Receipt Units pursuant to the Over-Allotment Option will be used for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. See “Initial Portfolio”.

Concurrent with Closing, RESREIT will obtain a non-revolving term loan (the “Instalment Loan”) from a Canadian chartered bank available by way of one or more draws as required to finance the acquisition of interests in the Properties, not to exceed in aggregate the amount of the final instalments for Receipt Units issued by RESREIT under the Offering and pursuant to the Over-Allotment Option, if any. RESREIT will assign to the Canadian chartered bank, as collateral security for the Instalment Loan, its rights under the Instalment Receipt Agreement, including its right to receive payment of the final instalments payable in respect of the Receipt

Units issued by RESREIT under the Offering, which amounts will be used to repay the Instalment Loan. RESREIT anticipates drawing down approximately \$49,000,000 at Closing. RESREIT will use the proceeds of further draws under the Instalment Loan for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. See “Use of Proceeds”.

	<u>Amount Payable⁽¹⁾</u>	<u>Land Transfer Taxes and Other Acquisition and Leasing Expenses⁽²⁾</u>	<u>Estimated Closing Adjustments⁽³⁾</u>	<u>Mortgages⁽⁴⁾</u>	<u>Use of Proceeds⁽⁵⁾</u>
Initial Portfolio	\$ 365,999,931	\$3,355,000	\$(6,318,000)	\$(189,731,074)	\$173,305,857
Funds Available for Future Property Acquisitions and Leases, Working Capital and Capital Improvements	—	—	—	—	12,430,000 ⁽⁶⁾
Total	<u>\$ 365,999,931</u>	<u>\$3,355,000</u>	<u>\$(6,318,000)</u>	<u>\$(189,731,074)</u>	<u>\$185,735,857⁽⁷⁾</u>

Notes:

- (1) The amount payable by RESREIT in respect of the Initial Portfolio is \$365,999,931, an amount that reflects a reduction for required capital expenditures of approximately \$10 million, subject to normal closing adjustments.
- (2) Includes acquisition and leasing related expenses payable by RESREIT, including land transfer taxes, legal and other expenses less security deposits and other liabilities.
- (3) Estimated closing adjustments for mark to market costs on assumed mortgages, assumption of last month’s rent liabilities and prepayment of realty tax amounts. The amounts in this column do not include the usual adjustments referred to in Note (1).
- (4) Represents the outstanding balance as at February 1, 1998 of mortgages which will be entered into or assumed by RESREIT on the Closing.
- (5) Includes cash payable on Closing, land transfer and other taxes and other acquisition and leasing expenses referred to in Note (2).
- (6) Represents cash available on Closing and the undrawn funds available under the Instalment Loan.
- (7) Includes \$49,500,000 which is the value of the 4,950,000 LT/Greenwin Units which will be issued to the members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group on Closing in partial consideration for the acquisition by RESREIT of the Initial Portfolio.

The funds available to RESREIT upon completion of the Offering are expected to be greater than the total amount payable by RESREIT in respect of the Initial Portfolio, subject to adjustments, and accordingly, the excess will be retained by RESREIT for further acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, capital improvements and working capital purposes.

Initial Portfolio

The 27 Properties in which RESREIT will initially have an interest are comprised of 32 residential apartment buildings and one townhouse complex containing an aggregate of 6,838 rental suites, together with approximately 209,000 square feet of ancillary commercial premises. The Initial Portfolio includes 23 Properties located in the Greater Toronto Area, two Properties located in Calgary, Alberta, one Property located in Edmonton, Alberta and one Property located in North Vancouver, British Columbia.

The Properties are typical of the middle to upper end of rental residential properties in major urban markets. Many of the Properties were constructed by members of the Greenwin Properties Group during the 1970’s. Each of the Properties has been professionally managed and well-maintained over the years by GPMI or LTMI, as the case may be. Unitholders in RESREIT will benefit from the continuity of personnel and operating practices of the Advisor and the Property Manager and from the Strategic Alliance and Non-Competition Agreements entered into with Greenwin and Lehndorff Tandem which are expected to increase access to quality residential rental buildings with opportunities for increased revenues. See “Strategic Alliance and Non-Competition Agreements”. The Properties have historically enjoyed the benefits of strong locations, ongoing planned maintenance and repair programs and professional management and leasing practices, resulting in low levels of vacancy, stable income and expense margins and few issues of deferred maintenance.

The Initial Portfolio is comprised of 15 Properties in respect of which RESREIT will acquire a freehold interest on Closing, three Properties in respect of which RESREIT will acquire the existing ground leases, eight

Properties in respect of which RESREIT will acquire a leasehold interest and will prepay rent pursuant to a Long Term Lease on Closing and one Property in respect of which RESREIT will acquire an undivided freehold interest of approximately 50% and will occupy the balance of the undivided interest pursuant to a Long Term Lease on Closing.

Each Long Term Lease will provide RESREIT with all of the income from the Property, including any increases in rent, for a term of 35 years. Basic rent payable under each Long Term Lease will be prepaid by RESREIT on Closing and ongoing realty taxes, maintenance, repairs, insurance, utilities, operating expenses and, in one case, percentage rent, will be paid by RESREIT during the term. The prepaid rent payable by RESREIT on Closing will be financed, in part, by the entering into of leasehold mortgages. Each Long Term Lease provides RESREIT with (i) a right of first offer (subject to the rights of existing co-owners) and (ii) a secured exclusive option to purchase the Pre-Paid Leasehold Properties at a fixed price as specifically scheduled in each Long Term Lease at any time during the last 10 years of the Long Term Lease.

RESREIT has entered into the Purchase Agreements and the Agreements to Lease relating to the acquisition of the Initial Portfolio. Pursuant to the Purchase Agreements and the Agreements to Lease, RESREIT will acquire the Initial Portfolio from the Greenwin Properties Group and the Lehndorff Tandem Properties Group on Closing. The total amount payable by RESREIT in respect of the Initial Portfolio is \$365,999,931, subject to adjustments, payable as to approximately \$189,731,074 by the assumption or entering into by RESREIT of mortgages (including leasehold mortgages) and the remainder payable in cash or LT/Greenwin Units on Closing. Members of the Greenwin Properties Group and of the Lehndorff Tandem Properties Group will receive on Closing an aggregate of 2,685,000 LT/Greenwin Units and 2,265,000 LT/Greenwin Units, respectively, (representing in the aggregate approximately 25% of the Offering) in partial consideration for the amounts payable to them respectively in connection with the sale or lease of the Properties. All of the LT/Greenwin Units will be fully paid Units. The Greenwin Properties Group and the Lehndorff Tandem Properties Group have agreed with RESREIT and the Agents to certain restrictions on the resale of all of the LT/Greenwin Units acquired by them. The total amount payable by RESREIT in respect of the Initial Portfolio implies an average capitalization rate for the Properties of 8.7%. All Purchase Agreements and Agreements to Lease are subject to certain conditions of closing, including the receipt of satisfactory title reports. See “Use of Proceeds”, “Initial Portfolio”, “Independent Appraisal of the Properties” and “Plan of Distribution”.

The following table summarizes certain aspects of the Properties:

Property	Rentable Suites					Total Units/ Commercial Square Feet	Occupancy ⁽¹⁾	Average Monthly Rent/Unit ⁽²⁾
	Year Built	Bachelor/ Studios	One Bedroom	Two Bedroom	Three or more Bedroom			
Ontario								
1 Oriole Road, ^{(2)(3)(L)} Toronto, Ontario	1954	56	9	15	Nil	80	100%	\$ 815
23 Oriole Road, ^{(2)(3)(L)} Toronto, Ontario	1955	15	20	12	Nil	47	100%	\$ 855
1004 Lawrence Avenue East, ^{(4)(L)} North York, Ontario	1966	Nil	35	30	Nil	65	99.5%	\$ 744
33 Davisville Avenue, ^{(4)(G)} Toronto, Ontario	1973	228	38	Nil	Nil	266	100%	\$ 614
111 Davisville Avenue, ^{(4)(G)} Toronto, Ontario	1970	217	72	82	1	372	99.7%	\$ 684
411 Duplex Avenue, ^{(4)(G)} Toronto, Ontario	1974	283	128	44	Nil	455/ 14,857	99.9%/ 100%	\$ 724
77 Huntley Street, ^{(4)(G)} Toronto, Ontario	1973	181	276	102	Nil	559/ 23,387	99.9%/ 100%	\$ 622
88 Isabella Street, ^{(4)(5)(G)} Toronto, Ontario	1968	28	53	1	Nil	82	100%	\$ 824

Property	Rentable Suites						Occupancy ⁽¹⁾	Average Monthly Rent/Unit ⁽²⁾
	Year Built	Bachelor/Studios	One Bedroom	Two Bedroom	Three or more Bedroom	Total Units/Commercial Square Feet		
500 Murray Ross Parkway, ^{(2)(6)(G)} North York, Ontario	1978	Nil	76	260	54	390	96.7%	\$ 808
33 Orchardview Boulevard, ^{(4)(G)} Toronto, Ontario	1976	228	64	34	Nil	326	99.8%	\$ 759
10 San Romanoway, ^{(2)(4)(G)} North York, Ontario	1977	Nil	229	67	132	428	97%	\$ 784
921/923/925 St.Clair Avenue West, ^{(2)(3)(G)} Toronto, Ontario	1955	40	31	Nil	Nil	71	97%	\$ 540
25 Bay Mills Boulevard, ^{(2)(3)(L)} Scarborough, Ontario	1974	7	87	168	19	281	98.5%	\$ 904
7 & 9 Roanoke, ^{(3)(L)} North York, Ontario	1963	Nil	94	126	6	226	100%	\$ 709
56-88 Cassandra Boulevard, ^{(3)(7)(L)} North York, Ontario	1965	Nil	Nil	44	116	160	98.7%	\$1013
236 Dixon Road, ^{(3)(L)} Etobicoke, Ontario	1963	Nil	35	74	14	123	100%	\$ 724
1055 Bloor Street East, ^{(2)(3)(L)} Mississauga, Ontario	1971	Nil	153	154	16	323	98.4%	\$ 860
2333 Truscott Drive, ^{(2)(3)(L)} Mississauga, Ontario	1974	18	61	80	38	197	99.4%	\$ 834
2345 Truscott Drive, ^{(2)(3)(L)} Mississauga, Ontario	1968	10	43	19	Nil	72	100%	\$ 796
2360 Bonner Road, ^{(2)(3)(L)} Mississauga, Ontario	1968	Nil	68	110	34	212	98.5%	\$ 812
1425 Bodmin Road, ^{(2)(3)(L)} Mississauga, Ontario	1967	Nil	22	70	26	118	99.1%	\$ 843
5200 Lakeshore Boulevard ^{(3)(L)} Burlington, Ontario	1966	Nil	14	42	16	72	100%	\$ 820
100, 101, 200, 201 White Oaks Court, ^{(3)(L)} Whitby, Ontario	1978 and 1979	Nil	80	431	193	704	98.0%	\$ 751
Alberta								
Mayfair Place ^{(8)(L)} 6706 Elbow Drive SW, Calgary, Alberta	1971	13	154	96	9	272/ 108,046	100%/ 94.0%	\$ 618
Pentland Place ^{(8)(L)} 924-7th Avenue, SW, Calgary, Alberta	1969	1	73	74	6	154	100%	\$ 575
Garneau Towers ^{(3)(L)} 8510-111th Street Edmonton, Alberta	1965	76	154	80	Nil	310	100%	\$ 553
British Columbia								
International Plaza ^{(8)(L)} 1959-1999 Marine Drive, North Vancouver, B.C.	1975	179	222	68	4	473/ 62,752	99.8%/ 100%	\$ 710
Total					Residential Commercial	6,838 209,042	99.1 ⁽⁹⁾ 96.9%	\$ 752

Notes:

(1) As at January 1, 1998.

(2) Represents total monthly rental income in 1998 divided by the total number of suites. For the Ontario Properties, the average monthly rent is at the legal maximum under the *Rent Control Act, 1992* (Ontario), except for those Properties noted as (2). The *Rent Control Act, 1992* (Ontario) is expected to be replaced by the *Tenant Protection Act, 1997* which has received Royal Assent and is expected to be proclaimed in force in April 1998. See "Residential Tenancy Legislation".

- (3) Freehold Property.
- (4) Pre-Paid Leasehold Property.
- (5) Rent is for furnished suites. RESREIT intends to convert all suites to standard rental apartment suites within nine months following Closing. Average Monthly Rent per Unit represents the average of the seven current rent controlled suites.
- (6) RESREIT will have an undivided freehold interest of 48.21% in this Property and will occupy the balance of the undivided interest pursuant to a Long Term Lease.
- (7) Townhouses.
- (8) Ground Lease Property.
- (9) Weighted average.
- (L) Lehdorff Tandem Property.
- (G) Greenwin Property.

Independent Appraisal

The aggregate market value of the Initial Portfolio as at September 1, 1997 has been estimated by the Appraiser to be between \$363.1 million and \$381.5 million, which amounts assume that approximately \$4.755 million has been spent on capital improvements. The values per residential suite range from \$32,394 to \$91,875. The average appraised value per residential suite is \$54,424 for all residential suites. The implied weighted average capitalization rate on the appraised value of the Initial Portfolio is 8.6%. The Appraiser estimated that the market value of the Initial Portfolio is approximately 60% of current replacement cost. See “Independent Appraisal of the Properties”.

Capital Improvements and Expenditures

An Engineering Report has been prepared in respect of each of the Properties by Halsall Associates Limited, independent professional engineers, for the purpose of enabling RESREIT to evaluate the condition and structural integrity of each building and major building operating components and systems, identifying and costing-out deficiencies that are the subject of any work orders or likely work orders and/or deferred maintenance items. Each building has been measured on that standard consistent with its market segment and current rent levels. Each of the building condition audits was completed on the basis of work which is required to be completed within approximately one year and work which is recommended to be performed for subsequent years in order to maintain appropriate building conditions. Capital improvement work to be carried out in the first year of the Forecast largely represents the continuation of work which is currently underway as part of the current owners’ ongoing planned maintenance programs. The Engineering Reports estimate that approximately \$4.755 million of capital improvement work is required to be carried out on the Properties in the first year following Closing. Work orders and Fire Code Retrofit requirements are outstanding with respect to some of the Properties. To the extent the required work is not completed prior to Closing, and to the extent that Lessors/vendors are not required to undertake to complete the necessary work to clear such work orders and requirements, RESREIT will comply with the work orders and retrofit requirements in accordance with prudent management practices.

RESREIT is committed to an approximately \$4.4 million capital expenditures program to be substantially completed by the end of 1998, and an approximately \$5.6 million capital expenditure program in the ensuing four years ending 2002. These capital expenditures will be financed as to approximately \$4.4 million from working capital and the remainder from new debt. It is expected that as a result of increased rental rates to be effected in connection with the anticipated relaxation of rent control legislation in the Province of Ontario, certain of these capital repair costs will be recovered on an amortized basis. RESREIT, as part of its annual asset review program, will monitor the appropriate level of capital expenditures to ensure that RESREIT’s properties remain competitive.

Environmental

Shaheen & Peaker Limited, O’Connor Associates Environmental Inc. (“O’Connor”) and Beak International Incorporated, independent environmental consultants, were retained to perform Phase I environmental site

assessments (also known as environmental audits) on each Property. These assessments did not reveal any material environmental concerns with respect to the Properties. O'Connor was also retained to perform a Phase II environmental assessment for the Property at 1055 Bloor Street East, Mississauga, Ontario which confirmed the proper removal of an underground storage tank. The Purchase Agreements and Agreements to Lease also contain certain environmental representations, warranties and indemnities in favour of RESREIT.

Management of RESREIT

The investment policies and operations of RESREIT will be subject to the control and direction of the Trustees, a majority of whom must be Independent Trustees. The Declaration of Trust provides for a minimum of seven and a maximum of 11 Trustees. Initially, there will be nine Trustees. The Advisor will, during the term of the Advisory Agreement, including any renewal thereof, be entitled to appoint two Trustees. Trustees appointed by the Advisor shall be deemed to be Non-Independent Trustees. GPMI and LTMI will together be entitled to appoint two Trustees for the first five years after Closing, so long as such appointees are Abraham Green and Albert Latner. At any other time, GPMI and LTMI will together be entitled to appoint one Trustee so long as they own or control, in the aggregate, at least 10% of the outstanding Units, and two Trustees so long as they own or control, in the aggregate, at least 20% of the outstanding Units. Trustees appointed by GPMI and LTMI shall be deemed not to be Independent Trustees so long as either of them control the Advisor. Notwithstanding the foregoing rights of the Advisor, GPMI and LTMI to appoint Trustees, a majority of the Trustees must at all times be Independent Trustees. The balance of the Trustees are to be elected annually by resolution passed by a majority of the votes cast at a meeting of the Unitholders. Certain decisions respecting the affairs of RESREIT must be made by the Independent Trustees. The Declaration of Trust provides for the appointment by the Trustees of an Audit Committee and a Compensation and Governance Committee, all the members of each of which must be Independent Trustees, and for the appointment of an Investment Committee, a majority of the members of which must be Independent Trustees and must have had at least five years of substantial experience in the real estate industry. See "Management of RESREIT".

The Advisor

LT Greenwin Advisor will serve as the Advisor of RESREIT pursuant to the Advisory Agreement and will be responsible for managing RESREIT, including providing research, accounting and management services, and providing advice with respect to RESREIT's real property investment portfolio, subject to the overriding control and direction of the Trustees. The Advisor is a special purpose limited partnership owned as to 50% by GPMI and as to 50% by LTMI. See "Management of RESREIT – The Advisor". LT Greenwin Advisor Inc. is the general partner of the Advisor and will be responsible for and restricted to transacting all business on behalf of the Advisor.

On Closing, the key personnel of the general partner of the Advisor will be comprised of senior personnel from the senior management of The Lehndorff Tandem Group and The Greenwin Group, as the case may be. The Lehndorff Tandem Group has been active in the real estate industry across Canada and the United States for approximately 35 years, engaged in all forms of construction, development and management of commercial and rental residential real estate. The Lehndorff Tandem Group currently administers properties, including those held through investment vehicles similar to a real estate investment trust, containing approximately 6,500 residential suites and approximately 12,700,000 square feet of commercial premises. The Greenwin Group has been active in the real estate industry in the Greater Toronto Area for approximately 50 years, primarily in the construction, development and management of multi-unit residential properties and currently administers approximately 25,000 residential suites and approximately 3,000,000 square feet of leasable commercial premises.

The Advisor will be entitled to receive the following fees for its services under the Advisory Agreement:

- (a) an annual advisory fee, payable monthly, equal to 0.65% of Adjusted Book Value up to \$150 million and 0.50% of the Adjusted Book Value in excess of \$150 million;
- (b) an incentive fee, calculated annually on a non-cumulative basis, estimated and payable monthly, equal to the aggregate of (a) 15% of the amount, if any, by which the Aggregate Net Property Cash Flow, after deduction of the annual advisory fee, generated by RESREIT's real property portfolio in any year

exceeds 10% of the Aggregate Equity, pro rated over a 365-day year, based on the date upon which equity was invested in each such property by RESREIT during such year, and (b) 15% of the net proceeds generated from the sale of a property in excess of the net sale proceeds required to generate an internal rate of return to RESREIT of 10% per annum calculated from annual Net Property Cash Flow, after deduction of the annual advisory fee, on the average Aggregate Equity invested in that property over the period which it was owned by RESREIT;

- (c) an investment fee of 0.95% of the total cost of investment by RESREIT in any freehold or leasehold interest in real property, including prepaid rent, or, in the discretion of the Independent Trustees, any mortgage, unless the Advisor or any person not at arm's length with the Advisor (within the meaning of the Tax Act) was a vendor or has or had a material interest in a vendor in the relevant transaction; and
- (d) a disposition fee of 0.25% of the total proceeds of disposition of any interest in real property or, in the discretion of the Independent Trustees, any mortgage by RESREIT, unless the Advisor or any person not at arm's length with the Advisor (within the meaning of the Tax Act) was a purchaser or has or had a material interest in a purchaser in the relevant transaction.

No fees are payable to the Advisor in respect of the acquisition by RESREIT of the Initial Portfolio and the related financings.

The Advisory Agreement will initially have a five year term which will be automatically renewed for additional five-year terms unless terminated at the end of the initial term or at the end of any renewal term upon the approval of two-thirds of the votes cast by the Independent Trustees at a meeting of Trustees called for that purpose and confirmed by two-thirds of the votes cast by Unitholders at a meeting called for that purpose at which holders of at least 20% of the outstanding Units are represented. The Advisory Agreement may be terminated by RESREIT at any time for cause, and otherwise, at any time after the first three years upon payment by RESREIT to the Advisor in one lump sum of an amount equal to the fair market value of the Advisory Agreement, provided that such termination is approved by two-thirds of the Independent Trustees at a meeting of Trustees called for that purpose and confirmed by two-thirds of the votes cast by the Unitholders at a meeting of the Unitholders called for that purpose. See "Management of RESREIT – The Advisor".

Management Strategy

Management's skills, coupled with RESREIT's strategic alliances with Greenwin and Lehndorff Tandem, are expected to benefit Unitholders in RESREIT through excellent strengths in sourcing, financing, costing, purchasing, leasing, managing, constructing, renovating, and marketing of rental housing product.

The Advisor intends to maintain and enhance the value of RESREIT's assets by:

- *Industry Proven Operating Practices.* The Advisor, in arranging for the services of the Property Manager, has ensured that RESREIT will enjoy immediate state of the art operating systems and procedures, including cost and expense reduction programs, based upon decades of specific rental housing experience.
- *Continuity of Operating Personnel.* The Property Manager's personnel includes the same operating personnel for the Properties currently employed by GPMI and LTMI, preserving full knowledge of operating and income and expense issues.
- *Sourcing Accretive Acquisitions.* The Advisor, given its long history in the residential industry and by virtue of the Strategic Alliance and Non-Competition Agreements with Greenwin and Lehndorff Tandem, which provide for certain rights of first offer, expects to have significant access to acquisition opportunities.
- *Understanding Legislation.* Each of the Advisor and the Property Manager, particularly in Ontario, have personnel experienced in operating rental properties efficiently and safely. The Advisor and the Property Manager are well equipped to implement the operating and financial changes necessary to capitalize on the anticipated relaxation of rent control legislation in the Province of Ontario, which

legislation is expected to be proclaimed in force in April 1998. It is the Advisor's belief that the recent move and any further moves toward free market pricing of rental residential housing stock will require experienced and proactive property management to maximize benefits for Unitholders.

- *Senior Management REIT Experience.* Senior management of the Advisor has direct and extensive expertise and experience in the operation and management of tax efficient pooled fund real estate vehicles, which expertise and experience is directly translatable to the operation and management of a real estate investment trust.
- *Strategic Alliances.* RESREIT will enjoy the benefit of strategic alliance and non-competition arrangements with Greenwin and with Lehndorff Tandem, pursuant to which it is anticipated that RESREIT's increased access to quality rental residential product and management practices will provide Unitholders with increased returns.
- *Sophisticated Portfolio Approach to RESREIT's Properties.* The Advisor will seek to maximize Unitholder value by ensuring that each Property is continually examined in relation to its contribution to RESREIT's overall portfolio of properties and that appropriate balances of geographic diversity are maintained in relation to regional and demographic trends.
- *Prudent Debt Management.* The Advisor intends to ensure the continuation of the matching of appropriate debt terms in relation to the Advisor's continuing asset management plan for each of the Properties.

The Advisor believes that multi-unit residential rental properties are an attractive investment opportunity, especially where the underlying properties are part of a proven portfolio and enjoy the strengths of strategic locations, planned programs of timely maintenance and repair, predictable and reliable yields and first class property management procedures and systems. The Advisor further believes that by specializing in multi-unit residential rental properties, Unitholders will receive the benefits of specific expertise in cost management programs.

Given current market conditions, including low vacancy rates, the absorption of unsold condominiums and overall population demographics, the demand for multi-unit residential rental accommodation is generally strong in most Canadian markets and is particularly strong in major urban centres such as the Greater Toronto Area. See "Multi-Unit Residential Real Estate Market".

Management of the Properties

LT Greenwin Property Management will manage the Properties on behalf of RESREIT or, if requested by the Advisor, supervise third party property managers where the Advisor believes it is in the best interests of RESREIT to retain property managers other than the Property Manager with respect to certain of the properties of RESREIT. On Closing, the Property Manager will be staffed by LTMI's and GPMI's key residential management personnel and will utilize LTMI's and GPMI's systems and operating practices relating to the Properties, thus ensuring continuity and efficient operation of the Properties for RESREIT and enabling RESREIT to receive the benefits to be derived from two of the leading residential property managers in Canada. The senior personnel of the Property Manager have decades of direct and extensive experience in ensuring that the Properties are well maintained and leased, and that the twin goals of tenant satisfaction and satisfactory returns to the owners of the Properties are met. The Property Manager will be restricted from engaging in performing property management services other than for RESREIT, unless it obtains the prior consent of a majority of the Independent Trustees. The Property Manager will be entitled to receive an annual management fee, payable monthly, equal to 3.50% of the Gross Rentals from the properties managed for RESREIT by the Property Manager.

The Property Management Agreement will have an initial term of five years and will be automatically renewed for successive one year terms unless terminated at the end of the initial term or at the end of any renewal term upon the approval of at least two-thirds of the votes cast by the Independent Trustees at a meeting of the Trustees called for that purpose. RESREIT may terminate the Property Management Agreement at any time for cause and in certain other limited circumstances. See "Management of the Properties".

Strategic Alliance and Non-Competition Agreements

On Closing, RESREIT will enter into Strategic Alliance and Non-Competition Agreements with Abraham Green, Harold Green, Albert Latner and Persons that are controlled by one or more of them, including GPMI and the respective directors and officers of certain of such Persons, their successors and assigns and any public entity resulting from a reorganization of any such Persons (collectively, “Greenwin”) and Lehndorff Consolidated Canadian Properties (the holding limited partnership of the management organization and the largest real estate pooled fund of The Lehndorff Tandem Group) and Persons that control or are controlled by it, including LTMI and the directors and officers of certain of such Persons, their successors and assigns and any public entity resulting from a reorganization of any such Persons (collectively, “Lehndorff Tandem”) to co-operate in certain areas related to the purchase and sale of multi-unit residential rental properties and other areas related to the ownership and management of multi-unit residential rental properties. The Strategic Alliance and Non-Competition Agreements are founded on the fact that the interests of Greenwin, Lehndorff Tandem and RESREIT are aligned in certain respects and that co-operation in certain endeavours will be to their mutual advantage. Specifically, each of Greenwin and Lehndorff Tandem will agree that with respect to any multi-unit residential rental property which it owns or over which it has power of disposition and which is to be offered for sale or transferred, subject to existing legal obligations, it will first offer such property to RESREIT upon fair market terms, provided such property meets the investment criteria of RESREIT. Greenwin and Lehndorff Tandem will also agree not to compete with RESREIT in the acquisition of multi-unit residential rental properties which meet the investment criteria of RESREIT, unless RESREIT has been provided with a right of first offer with respect to any such acquisition opportunity. Each of Greenwin and Lehndorff Tandem will also be prohibited from establishing another real estate investment trust whose purpose is to invest primarily in multi-unit residential rental properties in Canada. Further, each of Greenwin and Lehndorff Tandem will agree that when it or its affiliates is managing or supervising the management of properties which may compete with the properties of RESREIT, it will not manage or, as supervisor, not permit the manager to act in such a way as to favour such properties over the properties of RESREIT, nor will it, during the term of any lease to a tenant of any property of RESREIT, solicit such tenant to move to a building in which RESREIT does not have an interest. The Strategic Alliance and Non-Competition Agreements will remain in effect during the term of the Advisory Agreement and so long as Greenwin or Lehndorff Tandem, as the case may be, control the Advisor.

On Closing, each of the Non-Independent Trustees, the Advisor, the partners of the Advisor (including the General Partner), the directors and officers of the General Partner, the Property Manager, the partners of the Property Manager (including the general partner of the Property Manager) and the directors and officers of the general partner of the Property Manager will enter into a Non-Competition Agreement with RESREIT which will restrict certain real estate related activities by each of them. Pursuant to the Non-Competition Agreements, each of the foregoing will be prohibited from investing in any multi-unit residential rental property which meets the investment criteria of RESREIT, unless such investment has first been offered to RESREIT in accordance with the terms of the Non-Competition Agreements, and from establishing another real estate investment trust, the purpose of which is to invest primarily in multi-unit residential rental properties in Canada. This prohibition will not apply to investments held by such Persons (and disclosed to RESREIT) at the time such Persons enter into their Non-Competition Agreement. The Advisor and the Property Manager will also be prohibited from acting as trustee, agent, consultant or advisor to any Person with respect to any such real estate investment trust or with respect to any investment in a multi-unit residential rental property which meets the investment criteria of RESREIT, unless in the latter case, such activity has been approved by a majority of the Independent Trustees. The foregoing will agree also that, during the term of any lease to a tenant of any property of RESREIT, they will not solicit such tenant to move to a building in which RESREIT does not have an interest.

See “RESREIT”, “Strategic Alliance and Non-Competition Agreements” and “Management of RESREIT – The Advisor”.

Investment Restrictions and Operating Policies

The Declaration of Trust contains investment restrictions and operating policies. The investment restrictions include, among other things, criteria with respect to the types and locations of properties which RESREIT can acquire and the maximum amount of mortgage loans in which RESREIT may invest.

The operating policies address, among other things, the level of RESREIT's debt and the requirements for appraisals, insurance coverage and environmental audits. The investment restrictions and certain of the operating policies may only be changed upon the approval of two-thirds of the votes cast by Unitholders at a meeting called for such purpose. The remaining operating policies may be changed upon the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose. See "Investment Restrictions and Operating Policies". On an annual basis and on the recommendation of the Advisor, RESREIT will establish an investment and operating plan for the ensuing period. See "Management of RESREIT – Management Strategy".

Borrowing

RESREIT may not incur or assume any indebtedness (which term by definition in the Declaration of Trust excludes indebtedness under any debt instrument convertible into Units of RESREIT) under a mortgage on any real property interest unless, at the date of the proposed assumption or incurring of indebtedness, the aggregate of (i) the amount of all indebtedness secured on such real property interest, and (ii) the amount of additional indebtedness proposed to be assumed or incurred, does not exceed 75% of the market value of such real property interest. In addition, RESREIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of RESREIT (excluding the Instalment Loan or any subsequent loan obtained in connection with the issuance of securities of RESREIT on an instalment basis) would be more than 60% of the Gross Book Value of RESREIT, and the total amount of indebtedness (excluding the Instalment Loan or any subsequent loan obtained in connection with the issuance of securities of RESREIT on an instalment basis) and the amount then advanced under the Acquisition and Operating Facility would be more than 70% of the Gross Book Value of RESREIT, unless a majority of the Trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the assets of RESREIT. Overall interest rates and debt maturities will be reviewed from time to time by the Advisor to optimize the benefits of positive leverage with interest rate renewal exposure. See "Investment Restrictions and Operating Policies".

Debt Maturities

Immediately following the Closing, the weighted average interest rate on outstanding mortgage indebtedness of RESREIT (excluding the Instalment Loan) will be approximately 6.529%. The following table summarizes certain aspects of maturities of such indebtedness.

<u>Debt Maturities (excluding the Instalment Loan) – Year Ending December 31</u>	<u>Pro Forma Properties⁽¹⁾</u>	<u>Percentage of Total Principal Amount of Indebtedness</u>	<u>Weighted Average Interest Rate in Each Year</u>
1998	\$ 2,356,744	1.2%	6.9%
1999	\$ 17,358,662	9.1%	5.5%
2000	\$ 2,313,812	1.2%	6.9%
2001	\$ 72,229,810	38.1%	6.5%
2002	\$ 23,704,392	12.6%	6.6%
Beyond 2002	\$ 71,767,654	37.8%	6.8%
	<u>\$189,731,074</u>	<u>100%</u>	<u>6.529%</u>
Debt as a Percentage of Cost of the Initial Portfolio as at February 1, 1998 ⁽¹⁾			51.37%
Estimated Weighted Average Interest Rate ⁽¹⁾			6.529%
<u>Weighted Average Term to Maturity⁽¹⁾</u>			5.38 years

Notes:

(1) After giving effect to the acquisition by RESREIT of the Properties and the assumption or entering into of mortgage financing in respect thereof. See "Initial Portfolio – Financing" and "Financial Statements – Pro Forma Balance Sheet".

Distribution Policy

RESREIT will distribute to Unitholders on an annual basis no less than the greater of (A) the income of RESREIT calculated in accordance with the Tax Act ("Taxable Income"), and (B) 80% of the income of RESREIT calculated in accordance with generally accepted accounting principles excluding gains and losses from the disposition of real property, imputed interest income on the Instalment Loan and before any deduction for depreciation or amortization of prepaid rent ("Income Available for Distribution"), such amount which is available to be paid to Unitholders in any year being the "Distributable Income"; provided that the Trustees may distribute less than the amount otherwise required to be distributed if it is determined by at least two-thirds of the Trustees that to do so would be in the best interests of RESREIT and provided that to do so would not subject RESREIT to liability for tax. For these purposes, Taxable Income excludes net capital gains or losses and net recapture income and requires that discretionary deductions be taken to the maximum extent permitted under the Tax Act, and Income Available for Distribution excludes gains and losses from the disposition of real property and is computed before any deduction for depreciation or amortization of prepaid rent and imputed interest income on the Instalment Loan. RESREIT will make distributions to its Unitholders on a monthly basis, on or about the 15th day of each month other than January 15th and on December 31 in each calendar year (a "Distribution Date"). Monthly distributions will be based on the Trustees' estimate of yearly Distributable Income, subject to adjustment from time to time throughout the year.

On December 31 of each year, Unitholders will be entitled to receive a distribution of (i) the net realized capital gains and net recapture income for the year then ended; and (ii) any excess of Taxable Income for purposes of the Tax Act over distributions of such Taxable Income otherwise made for such calendar year.

Distributions are made to Unitholders of record on the record date determined by the Trustees in respect of such distribution. Distributions will be made in cash. See "Distribution Policy".

The cost for tax purposes of Units held by a Unitholder will generally 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 Unitholder's cost of his or her Units would otherwise be a negative amount. See "Canadian Federal Income Tax Considerations".

It is the current intention of RESREIT to distribute 100% of its yearly Distributable Income.

Tax Deferral on 1998 Distributions

The Advisor estimates that 78% of the distributions to be made by RESREIT to Unitholders in 1998 will be tax deferred. The adjusted cost base of Units held by a Unitholder will generally 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 1998 Distributions" and "Canadian Federal Income Tax Considerations".

Selected Financial Forecast Information

Summary of Financial Forecast

The selected financial forecast information set forth below is excerpted from the financial forecast (the "Forecast") prepared by the Advisor using assumptions with an effective date of January 23, 1998. The Forecast assumes the closing of the acquisition of freehold and leasehold interests in the Properties from the proceeds of the Offering to RESREIT on December 31, 1997. As it is intended that the Trust will acquire the Properties in February 1998, the forecasted net income and distributable cash will be apportioned on a pro rata basis to reflect the actual period of ownership of the Properties by RESREIT. The Forecast does not reflect any potential sales or acquisitions of real property interests other than the Properties. However, it is possible that RESREIT will make purchases and sales of real property interests during the Forecast period which will only be undertaken on a basis considered to be advantageous to RESREIT. The Forecast does not reflect the anticipated changes in applicable rent control legislation in the Province of Ontario, which legislation has received Royal Assent and is expected to be proclaimed in force in April 1998. These assumptions reflect the Advisor's intended course of action, given the Advisor's judgment as to the most probable set of economic conditions. **Some of the**

assumptions used in the preparation of the Forecast, although considered reasonable by the Advisor 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”.

	Three Months Ending				Year Ending
	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998	Dec. 31, 1998
	(in thousands, except per Unit amounts)				
Forecast Income and Distributable Income					
Revenues from income properties	\$16,712	\$16,690	\$16,803	\$17,050	\$67,255
Operating expenses	12,167	11,834	11,691	11,841	47,533
Income before the undernoted	4,545	4,856	5,112	5,209	19,722
Depreciation	462	462	462	462	1,848
Amortization of prepaid rents	909	909	909	909	3,636
Income from properties	3,174	3,485	3,741	3,838	14,238
Advisor fees	533	533	533	533	2,132
Trust expenses and other interest	29	42	69	117	257
Net income	2,612	2,910	3,139	3,188	11,849
Add (Deduct):					
Depreciation	462	462	462	462	1,848
Amortization of prepaid rents	909	909	909	909	3,636
Instalment receipt interest income	(837)	(837)	(837)	(837)	(3,348)
Distributable Income	\$ 3,146	\$ 3,444	\$ 3,673	\$ 3,722	\$13,985
Distributable Income per Instalment Receipt and LT/Greenwin Unit	\$ 0.16	\$ 0.17	\$ 0.19	\$ 0.19	\$ 0.71
Estimated monthly distribution per Instalment Receipt and LT/Greenwin Unit	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 0.06
Distributable Income per Unit on a fully paid basis	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 0.88

Certain of the Properties located in the Greater Toronto Area have rents which the Property Manager and the Advisor, in their experience, believe are below market and as such, that they may represent an opportunity to increase income as rent control legislation is expected to be relaxed effective in April 1998. See “Residential Tenancy Legislation”. The Forecast does not reflect such anticipated changes in the rent control legislation in Ontario.

Summary of Historical Financial Information

The selected historical financial information set forth below is excerpted from the unaudited pro forma schedule of net operating income before depreciation, amortization and interest for RESREIT contained elsewhere in this Prospectus and should be read in conjunction with such statements and the accompanying notes. See “Financial Statements”.

	Year Ended December 31, 1996
	(unaudited, in thousands)
Revenues from income properties	\$63,069
Operating expenses (excluding mortgage interest) ⁽¹⁾	\$38,100
Net Operating Income before depreciation, amortization and interest	\$24,969

(1) Included in operating expenses are allocations of corporate overheads and certain capital repairs.

Non-Resident Ownership Restrictions

The Declaration of Trust provides that non-residents of Canada (within the meaning of the Tax Act) are precluded from owning in excess of 49% in the aggregate of the outstanding Units of RESREIT at any time. Accordingly, RESREIT will not accept any subscriptions or issue or recognize a transfer of any Units if, after giving effect thereto, more than 49% in the aggregate of the outstanding Units would be held or beneficially owned by persons who are non-residents of Canada. See “Declaration of Trust and Description of Units – Limitation on Non-Resident Ownership”.

Distribution Reinvestment Plan

On or shortly after the first anniversary of Closing and subject to regulatory approval, RESREIT intends to adopt a distribution reinvestment plan pursuant to which Unitholders will be entitled to elect to have all cash distributions of RESREIT 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 TSE for the five trading days immediately preceding the relevant Distribution Date, and containing such other terms and conditions as the Trustees may consider advisable. See “Management of RESREIT – Distribution Reinvestment Plan”.

Risk Factors

There are certain risk factors inherent in an investment in the Units and in the activities of RESREIT, including risks related to liquidity and potential price fluctuation of the Units, real property ownership, mortgage refinancing, Long Term Leases, availability of cash flow, gross leases, completion of the purchase or lease of the Initial Portfolio, governmental regulation and environmental matters, Unitholder liability, dependence on key personnel, potential conflicts of interest, changes in legislation, investment eligibility and dilution arising from the issue of additional Units. 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. See “Risk Factors”.

GLOSSARY

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

“Acquisition and Operating Facility” means a revolving credit facility to be established by RESREIT for the purpose of funding future acquisitions of freehold and leasehold interests in real property, including prepaid rent in connection therewith, by RESREIT and certain operating expenses of the Properties, as more particularly described under the heading “Initial Portfolio – Acquisition and Operating Facility”.

“Adjusted Book Value” means, on a particular date, the aggregate of the book value of RESREIT’s assets (which, solely for the purposes of this definition, includes prepaid rent) plus the amount of accumulated depreciation thereon plus accumulated amortization of prepaid rent in respect of leases under which RESREIT is lessee, all calculated in accordance with generally accepted accounting principles, less the amount of the Instalment Receipt receivables and the receivables in connection with any further issuances of Units on an instalment basis.

“Adjusted Unitholders’ Equity” means, at any time, the aggregate of the amount of Unitholders’ equity and the amount of accumulated depreciation and amortization of prepaid rent recorded in the books and records of RESREIT in respect of its properties, calculated in accordance with generally accepted accounting principles, plus any discount on Instalment Receipts receivable.

“Advisor” means LT Greenwin Advisor, a special purpose limited partnership formed under the laws of the Province of Ontario of which LT Greenwin Advisor Inc. is the general partner. Where the context requires, references in this Prospectus to the “Advisor” include its general partner.

“Advisory Agreement” means the agreement to be entered into on Closing among RESREIT, the Advisor and the General Partner pursuant to which the Advisor will act as advisor to RESREIT.

“affiliate” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“Agency Agreement” means the agreement entered into among RESREIT, the Promoters and the Agents, as more particularly described under the heading “Plan of Distribution”.

“Agents” means RBC Dominion Securities Inc., ScotiaMcLeod Inc., CIBC Wood Gundy Securities Inc., Nesbitt Burns Inc., HSBC James Capel Canada Inc., Lévesque Beaubien Geoffrion Inc. and TD Securities Inc.

“Aggregate Equity” means, with respect to all of the real properties of RESREIT, as at any time, the aggregate of all payments (including prepaid rent) made and expenses incurred by RESREIT in connection with the acquisition, rezoning, redevelopment, development, construction (including any actual costs of expansion), ownership, leasing as lessee and financing of each of the properties owned by RESREIT, calculated and capitalized to such properties on a monthly basis in accordance with generally accepted accounting principles consistently applied, less the aggregate principal amount outstanding from time to time on mortgage financing secured by such properties to finance the payments and expenses of any of the foregoing.

“Aggregate Net Property Cash Flow” means the Net Property Cash Flow from all of RESREIT’s real properties, determined on an aggregate basis.

“Agreements to Lease” means the agreements to lease pursuant to which RESREIT has agreed to lease the Pre-Paid Leasehold Properties and **“Agreement to Lease”** means any one of them.

“Appraisal” means the appraisals of the market value of the Properties prepared by the Appraiser, as more particularly described under the heading “Independent Appraisal of the Properties”.

“Appraised Amount” has the meaning ascribed thereto under the heading “Initial Portfolio – Acquisition of Freehold or Leasehold Interests in the Properties”.

“Appraiser” means MacKenzie, Ray, Heron & Edwardh, Real Estate Appraisers & Consultants.

“associate” has the meaning ascribed thereto in the *Canada Business Corporations Act*.

“**business day**” means a day other than a Saturday, Sunday or any day that is a statutory or municipal holiday or on which RESREIT’s principal chartered bank’s head office located in Toronto, Ontario is not open for business during normal banking hours.

“**Closing**” means the closing of the Offering and the closing of the transactions contemplated by the Purchase Agreements and the Agreements to Lease.

“**CMHC**” means Canada Mortgage and Housing Corporation.

“**control**” and “**controlled**” have the meanings ascribed thereto in the *Securities Act* (Ontario).

“**cost of investment**” (i) where such investment is in a freehold interest in real property or a mortgage where the sole intention is to use the acquisition of such mortgage as a method of acquiring control of a property, means the aggregate purchase price payable in connection with the acquisition, all purchase related expenses (including without limitation, real estate commissions, finder’s fees and legal fees, but excluding land transfer and other acquisition or investment related taxes and fees payable to the Advisor or the Property Manager or any other property manager), and all capital improvements or additions adjusted for in the purchase price, and (ii) where such investment is in a leasehold interest in real property, means the aggregate of the purchase price or all prepaid rent, as the case may be, payable in connection with the acquisition of a leasehold interest or prepayment of rent, all leasing related expenses (including, without limitation, real estate commissions, finder’s fees and legal fees, but excluding land transfer and other acquisition or investment related taxes and fees payable to the Advisor or the Property Manager or any other property manager) and all capital improvements or additions adjusted for in the prepaid rent or the purchase price, as the case may be.

“**Custodian**” means The Trust Company of Bank of Montreal, as custodian under the Instalment Receipt Agreement.

“**Declaration of Trust**” means the declaration of trust dated October 24, 1997, governed by the laws of the Province of Ontario, pursuant to which RESREIT was created, as amended and restated on January 28, 1998 and as further amended, supplemented or amended and restated from time to time thereafter.

“**Distributable Income**” has the meaning ascribed thereto under the heading “Distribution Policy”.

“**Distribution Date**” means on or about the 15th day of each month other than January 15th and on December 31st in each calendar year, beginning on or about April 15, 1998.

“**Distribution Reinvestment Plan**” has the meaning ascribed thereto in this Prospectus under the heading “Management of RESREIT – Distribution Reinvestment Plan”.

“**Engineering Reports**” means reports completed by Halsall Associates Limited, independent professional engineers. The reports describe the condition of the Properties and the work which is required to be completed and contain an estimate of the cost of completing such work.

“**Forecast**” has the meaning ascribed thereto in this Prospectus under the heading “Financial Forecast”.

“**Freehold and Ground Lease Properties**” means the Freehold Properties and the Ground Lease Properties.

“**Freehold Properties**” means the Properties identified as Freehold Properties in the table under the heading “Initial Portfolio”, and “**Freehold Property**” means any one of them.

“**General Partner**” means LT Greenwin Advisor Inc., the general partner of the Advisor.

“**GPMI**” means Greenwin Property Management Inc.

“**Greater Toronto Area**” means the area comprised of the Municipality of Metropolitan Toronto and the Regional Municipalities of Peel, Durham, Halton and York, all in the Province of Ontario.

“**Greenwin**” means Abraham Green, Harold Green, Albert Latner and Persons that are controlled by one or more of them, including GPMI, and their respective directors, officers, successors, assigns, heirs, executors and administrators and any public entity resulting from a reorganization of any such Persons.

“**Greenwin Properties**” means the Freehold Properties and the Pre-Paid Leasehold Properties identified as Greenwin Properties in the table under the heading “Initial Portfolio”, and “**Greenwin Property**” means any one of them, as the context may require.

“**Greenwin Properties Group**” means, in respect of any particular Greenwin Property, either the lessors of that Property to RESREIT pursuant to an Agreement to Lease and a Long Term Lease or the vendors of that Property to RESREIT pursuant to a Purchase Agreement, as the case may be, and in respect of all the Greenwin Properties means all of the lessors or vendors of those Properties to RESREIT, as the context may require.

“**Greenwin Strategic Alliance and Non-Competition Agreement**” means the strategic alliance and non-competition agreement to be entered into by Greenwin on Closing, as described under the heading “Strategic Alliance and Non-Competition Agreements”.

“**Gross Book Value**” means, at any time, the aggregate book value of the assets of RESREIT (which solely for purposes of this definition includes prepaid rent) plus the amount of accumulated depreciation shown thereon plus accumulated amortization of prepaid rent in respect of leases under which RESREIT is lessee, all as shown on RESREIT’s most recent balance sheet.

“**Gross Rentals**” for any fiscal year of RESREIT means all rents and additional charges and other amounts from time to time generated from the use and operation of the properties of RESREIT managed by the Property Manager.

“**Ground Lease Properties**” means the properties identified as Ground Lease Properties in the table under the heading “Initial Portfolio”, and “**Ground Lease Property**” means any one of them.

“**Incentive Fee**” means the annual incentive fee payable to the Advisor as more particularly described under the heading “Management of RESREIT – The Advisor”.

“**Income Available for Distribution**” has the meaning ascribed thereto under the heading “Distribution Policy”.

“**Independent Trustee**” means a Trustee who is not appointed by the Advisor, GPMI or LTMI or who is not related (as defined in the TSE Guidelines on Corporate Governance) to RESREIT, the Advisor, the Property Manager or any Related Party of any of them.

“**Independent Trustee Matters**” means those decisions which require only the approval of the Independent Trustees, as set out under the “Management of RESREIT – Independent Trustee Matters”.

“**Initial Portfolio**” means freehold or leasehold interests including leasehold interests in respect of which prepaid rent will be paid on Closing, as the case may be, in the Properties.

“**Instalment Loan**” means the term loan to be obtained by RESREIT on Closing from a Canadian chartered bank and to be secured by RESREIT’s rights and entitlements under pledges of the Receipt Units sold by RESREIT pursuant to the Offering referred to under the heading “Use of Proceeds”.

“**Instalment Receipts**” means an instalment receipt evidencing beneficial ownership of Receipt Units sold pursuant to the Offering.

“**Instalment Receipt Agreement**” means the instalment receipt and pledge agreement to be dated as of the date of Closing among RESREIT, the holders of Instalment Receipts, the Agents, the Custodian and the Security Agent, whereunder the Custodian will issue the Instalment Receipts and the Security Agent will hold the Receipt Units pledged to RESREIT referred to under the heading “Details of the Offering”.

“**Investment Committee**” means the investment committee of the Trustees described under the heading “Management of RESREIT – Investment Committee”.

“**Lehndorff Tandem**” means Lehndorff Consolidated Canadian Properties (the holding limited partnership of the management organization of and the largest real estate pooled fund, of The Lehndorff Tandem Group) and Persons that control or are controlled by it, including LTMI and the directors and officers of certain of such Persons and their respective successors, assigns, heirs, executors and administrators and any public entity resulting from a reorganization of any such Persons.

“**Lehndorff Tandem Properties**” means those Properties identified as the Lehndorff Tandem Properties in the table under the heading “Initial Portfolio” and “**Lehndorff Tandem Property**” means any one of them, as the context may require.

“**Lehndorff Tandem Properties Group**” means, in respect of any particular Lehndorff Tandem Property, either the lessors of that Property to RESREIT pursuant to an Agreement to Lease and a Long Term Lease or the vendors of the freehold or leasehold interest in that Property to RESREIT pursuant to a Purchase Agreement, as the case may be, and in respect of all the Lehndorff Tandem Properties means all of the lessors or vendors of freehold or leasehold interests in those Properties to RESREIT, as the context may require.

“**Lehndorff Tandem Strategic Alliance and Non-Competition Agreement**” means that strategic alliance and non-competition agreement to be entered into by Lehndorff Tandem on Closing as described under the heading “Strategic Alliance and Non-Competition Agreements”.

“**Lessors**” means members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group who are lessors pursuant to a Long Term Lease.

“**Long Term Lease**” means the net lease entered into by RESREIT with respect to a Pre-Paid Leasehold Property in each case in accordance with the applicable Agreement to Lease, and “**Long Term Leases**” means all of them, as more particularly described under the heading “Initial Portfolio – Acquisition of the Initial Portfolio”.

“**LT/Greenwin Units**” means the 4,950,000 fully-paid Units to be distributed to members of the Lehndorff Tandem Properties Group and the Greenwin Properties Group in connection with RESREIT’s acquisition of the Initial Portfolio.

“**LTMI**” means Lehndorff Tandem Management Inc.

“**Material Contracts**” means the contracts referred to under the heading “Material Contracts”.

“**Net Property Cash Flow**” means, for a particular period and for each Property, the gross rental revenue from such Property less the aggregate of all Property expenses (excluding depreciation and amortization of prepaid rent) and interest payments on mortgage financing secured by such Property.

“**Non-Competition Agreements**” means the non-competition agreements to be entered into on Closing between RESREIT and each of the Non-Independent Trustees, the Advisor, the Property Manager, the partners of the Advisor and the Property Manager (including the General Partner and the general partner of the Property Manager), the directors and officers of the General Partner and the directors and officers of the general partner of the Property Manager, as described under the heading “Strategic Alliance and Non-Competition Agreements”.

“**Non-Independent Trustee**” means a Trustee who is not an Independent Trustee and is deemed to include a Trustee who is appointed by the Advisor, GPMI or LTMI.

“**Offering**” means the offering of 19,670,000 Units pursuant to this Prospectus as described under the heading “Plan of Distribution”.

“**Person**” has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

“**Pledge Assignment Agreement**” mean the agreement pursuant to which RESREIT will assign its rights and entitlements under the Instalment Receipt Agreement to a Canadian chartered bank, as collateral security for the repayment by RESREIT of the Instalment Loan referred to under the heading “Details of the Offering – Instalment Receipts”.

“**Pre-Paid Leasehold Properties**” means the Properties identified as Pre-Paid Leasehold Properties in the table under the heading “Initial Portfolio”, and “**Pre-Paid Leasehold Property**” means any of them.

“**Promoters**” means, collectively, LTMI and GPMI.

“**Properties**” means, collectively, the Greenwin Properties and the Lehndorff Tandem Properties.

“Property Management Agreement” means the agreement to be entered into on Closing between RESREIT and the Property Manager pursuant to which the Property Manager will provide property management services in respect of the Properties.

“Property Manager” means LT Greenwin Property Management, a limited partnership formed under the laws of the Province of Ontario, of which LT Greenwin Property Management Inc. is the general partner. Where the context requires, references in this Prospectus to the “Property Manager” include its general partner.

“Prospectus” means this prospectus, together with any amendment thereto.

“Purchase Agreements” means the agreements of purchase and sale pursuant to which RESREIT will acquire freehold interests in the Freehold Properties and leasehold interests in the Ground Lease Properties, and **“Purchase Agreement”** means any one of them.

“RESREIT” means Residential Equities Real Estate Investment Trust and, if applicable, includes corporations wholly-owned, directly or indirectly, by RESREIT.

“real property”, “real properties”, “real property interest” or “interest in real property” means any interest in property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, joint interests in real property or leaseholds (whether by way of tenancy in common, joint tenancy, co-ownership, joint venture or otherwise) and securities of persons whose sole or principal purpose and activity is to invest in, hold and deal in interests in real property.

“Receipt Units” means Units represented by Instalment Receipts.

“Related Party” means, with respect to any Person, a Person who is a “related party” as that term is defined in Ontario Securities Commission Policy Statement No. 9.1 as amended from time to time (including any successor rule or policy thereto) and which includes, for greater certainty and without limitation, in the case of RESREIT, the Advisor, the Property Manager, the General Partner, a limited partner in the Advisor or the Property Manager, the general partner of the Property Manager, Greenwin, Lehndorff Tandem, a director or officer of any of the foregoing, a Non-Independent Trustee or any associate or affiliate of any of the foregoing.

“Revenue Canada” means Revenue Canada, Customs, Excise and Taxation.

“Rights Plan” means the Unitholders’ rights plan referred to under the heading “Management of RESREIT – Unitholders’ Rights Plan”.

“Security Agent” means CIBC Mellon Trust Company, as security agent under the Instalment Receipt Agreement.

“Strategic Alliance and Non-Competition Agreements” means the Greenwin Strategic Alliance and Non-Competition Agreement and Lehndorff Tandem Strategic Alliance and Non-Competition Agreement.

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

“Taxable Income” has the meaning ascribed thereto under the heading “Distribution Policy”.

“The Greenwin Group” means a group of real estate ownership and management companies known as The Greenwin Group.

“The Lehndorff Tandem Group” means a group of real estate ownership and management companies known as The Lehndorff Tandem Group.

“TSE” means The Toronto Stock Exchange.

“Unitholder” means a holder of one or more Units, whether or not represented by Instalment Receipts.

“Unit Option Plan” means the Unit option plan referred to under the heading “Management of RESREIT – Unit Option Plan”.

“Units” means units of RESREIT and includes a fraction of a unit of RESREIT.

RESREIT

RESREIT is an unincorporated closed-end real estate investment trust created by the Declaration of Trust under, and governed by, the laws of the Province of Ontario. RESREIT was created by the Declaration of Trust dated October 24, 1997 as amended and restated on January 28, 1998. See “Declaration of Trust and Description of Units”. Although RESREIT expects to qualify on Closing as a “mutual fund trust” as defined by the Tax Act, RESREIT will not be a “mutual fund” as defined by applicable securities legislation.

The objectives of RESREIT are to (i) provide Unitholders with stable and growing cash distributions, payable monthly, and to the extent reasonably possible, tax deferred, from investments primarily in a portfolio of income producing multi-unit residential properties, including ancillary commercial premises, located in Canada, and (ii) to maximize Unitholder value through accretive real property acquisitions which meet the investment criteria of RESREIT and through the application to RESREIT’s assets of the operating practices and systems of the experienced management team of the Advisor and the Property Manager. See “Investment Restrictions and Operating Policies”.

The 27 Properties in which RESREIT will initially have an interest are comprised of 32 residential apartment buildings and one townhouse complex containing an aggregate of 6,838 rental suites, together with approximately 209,000 square feet of ancillary commercial premises. The Initial Portfolio includes 23 Properties located in the Greater Toronto Area, two Properties located in Calgary, Alberta, one Property located in Edmonton, Alberta and one Property located in North Vancouver, British Columbia. The Properties are well located, well maintained and have received the benefit of high quality professional management practices and operating standards as a result of their long term ownership and property management by the Greenwin Properties Group and the Lehndorff Tandem Properties Group. The Advisor intends to concentrate in the near term on future acquisitions of interests in real properties in major urban centres particularly in Ontario, where the experience, expertise and network of the Advisor and the Property Manager will enable RESREIT to more fully benefit from the anticipated relaxation of rent control legislation in the Province of Ontario pursuant to the *Tenant Protection Act, 1997*, which has received Royal Assent and is expected to be proclaimed in force in April 1998. See “Residential Tenancy Legislation”. Future acquisitions of interests in real properties will be subject to specific investment restrictions and the operation of RESREIT will be subject to specific operating policies. See “Initial Portfolio –Description of the Properties” and “Investment Restrictions and Operating Policies”.

The operations of RESREIT, including its investments and management, are subject to the continuing control and direction of the Trustees. The day-to-day management of RESREIT will be carried out by the Advisor. The key personnel of the Advisor will be comprised of senior personnel from The Lehndorff Tandem Group and The Greenwin Group. See “Management of RESREIT”. The Properties will be managed on behalf of RESREIT by the Property Manager. The Property Manager will employ and be operated by the managers and staff of LTMI and GPMI, who currently manage and administer substantially all of the Properties. See “Management of the Properties”. LTMI and GPMI will each own 50% of the Advisor and the Property Manager.

The Advisor’s and Property Manager’s operating personnel, practices and systems will result from the combination of the residential management personnel, systems and practices of GPMI and LTMI. GPMI is the property management arm of The Greenwin Group and is one of the leading residential property managers in Canada, managing approximately 7,000 residential suites for its own account, approximately 18,000 residential suites for the accounts of third parties and approximately 3,000,000 square feet of commercial premises in the Greater Toronto Area and in the State of Florida. The Greenwin Group has been active in the real estate industry in the Greater Toronto Area for approximately 50 years, primarily in the construction, development and management of multi-unit residential properties. LTMI is the property management arm of The Lehndorff Tandem Group, is also one of the leading property managers in Canada, and manages for its own account and the accounts of third parties approximately 6,500 residential suites and approximately 12,700,000 square feet of commercial premises. The Lehndorff Tandem Group has been active in the real estate industry across Canada and the United States for approximately 35 years, engaged in all forms of construction, development, and management of commercial and rental residential real estate. Each of GPMI and LTMI are full service property management companies with in-house leasing, marketing, engineering, construction, energy management, insurance administration, bulk purchasing and realty tax assessment appeal expertise in Ontario, Alberta and British Columbia.

The Lehndorff Tandem Properties represent all of the residential properties over which The Lehndorff Tandem Group has power of disposition and substantially all other residential properties managed by The Lehndorff Tandem Group on behalf of others and which meet the investment criteria of RESREIT. The Greenwin Properties, comprising approximately 3,000 suites, represent substantially all of the residential properties held within The Greenwin Group

and owned or controlled jointly by Albert Latner, Abraham Green and Harold Green, directly or indirectly, alone or with others and which meet the investment criteria of RESREIT. RESREIT has a right of first offer with respect to all other residential rental properties owned by Greenwin and Lehndorff Tandem. See “Strategic Alliance and Non-Competition Agreements”.

The head office of RESREIT is located at 390 Bay Street, Suite 800, Toronto, Ontario M5H 2Y2.

INITIAL PORTFOLIO

Summary

The 27 Properties in which RESREIT will initially have an interest are comprised of 32 residential apartment buildings and one townhouse complex containing an aggregate of 6,838 rental suites, together with approximately 209,000 square feet of ancillary commercial premises. The Initial Portfolio includes 23 Properties located in the Greater Toronto Area, two Properties located in Calgary, Alberta, one Property located in Edmonton, Alberta and one Property located in North Vancouver, British Columbia.

The Properties are typical of the middle to upper end of rental residential properties in major urban markets. Many of the Properties were constructed by members of the Greenwin Properties Group during the 1970’s. Each of the Properties has been professionally managed and well-maintained over the years by GPMI or LTMI, as the case may be. Unitholders in RESREIT will benefit from the continuity of personnel and operating practices of the Advisor and the Property Manager and from the Strategic Alliance and Non-Competition Agreements entered into with Greenwin and Lehndorff Tandem which are expected to increase access to quality residential rental buildings with opportunity for increased revenues. See “Strategic Alliance and Non-Competition Agreements”. The Properties have historically enjoyed the benefits of strong locations, ongoing planned maintenance and repair programs and professional management and leasing practices, resulting in low levels of vacancy, stable income and expense margins and few issues of deferred maintenance.

Certain of the Properties located in the Greater Toronto Area have rents which the Property Manager and the Advisor, in their experience, believe are below market and as such may represent an opportunity to increase income as rent control legislation in Ontario is relaxed pursuant to the *Tenant Protection Act, 1997* which has received Royal Assent and is expected to be proclaimed in force in April 1998. See “Residential Tenancy Legislation”. The Forecast does not reflect such anticipated changes in the rent control legislation in the Province of Ontario.

The following table summarizes certain aspects of the Properties:

Property	Rentable Suites					Total Units/ Commercial Square Feet	Occupancy ⁽¹⁾	Average Monthly Rent/Unit ⁽²⁾
	Year Built	Bachelor/ Studios	One Bedroom	Two Bedroom	Three or more Bedroom			
Ontario								
1 Oriole Road, ^{(2)(3)(L)}	1954	56	9	15	Nil	80	100%	\$ 815
Toronto, Ontario								
23 Oriole Road, ^{(2)(3)(L)}	1955	15	20	12	Nil	47	100%	\$ 855
Toronto, Ontario								
1004 Lawrence Avenue East, ^{(4)(L)}	1966	Nil	35	30	Nil	65	99.5%	\$ 744
North York, Ontario								
33 Davisville Avenue, ^{(4)(G)}	1973	228	38	Nil	Nil	266	100%	\$ 614
Toronto, Ontario								
111 Davisville Avenue, ^{(4)(G)}	1970	217	72	82	1	372	99.7%	\$ 684
Toronto, Ontario								
411 Duplex Avenue, ^{(4)(G)}	1974	283	128	44	Nil	455/ 14,857	99.9%/ 100%	\$ 724
Toronto, Ontario								
77 Huntley Street, ^{(4)(G)}	1973	181	276	102	Nil	559/ 23,387	99.9%/ 100%	\$ 622
Toronto, Ontario								
88 Isabella Street, ^{(4)(5)(G)}	1968	28	53	1	Nil	82	100%	\$ 824
Toronto, Ontario								
500 Murray Ross Parkway, ^{(2)(6)(G)}	1978	Nil	76	260	54	390	96.7%	\$ 808
North York, Ontario								
33 Orchardview Boulevard, ^{(4)(G)}	1976	228	64	34	Nil	326	99.8%	\$ 759
Toronto, Ontario								

Property	Rentable Suites						Occupancy ⁽¹⁾	Average Monthly Rent/Unit ⁽²⁾
	Year Built	Bachelor/ Studios	One Bedroom	Two Bedroom	Three or more Bedroom	Total Units/ Commercial Square Feet		
10 San Romanoway, ^{(2)(4)(G)} North York, Ontario	1977	Nil	229	67	132	428	97%	\$ 784
921/923/925 St.Clair Avenue West, ^{(2)(3)(G)} Toronto, Ontario	1955	40	31	Nil	Nil	71	97%	\$ 540
25 Bay Mills Boulevard, ^{(2)(3)(L)} Scarborough, Ontario	1974	7	87	168	19	281	98.5%	\$ 904
7 & 9 Roanoke, ^{(3)(L)} North York, Ontario	1963	Nil	94	126	6	226	100%	\$ 709
56-88 Cassandra Boulevard, ^{(3)(7)(L)} North York, Ontario	1965	Nil	Nil	44	116	160	98.7%	\$1,013
236 Dixon Road, ^{(3)(L)} Etobicoke, Ontario	1963	Nil	35	74	14	123	100%	\$ 724
1055 Bloor Street East, ^{(2)(3)(L)} Mississauga, Ontario	1971	Nil	153	154	16	323	98.4%	\$ 860
2333 Truscott Drive, ^{(2)(3)(L)} Mississauga, Ontario	1974	18	61	80	38	197	99.4%	\$ 834
2345 Truscott Drive, ^{(2)(3)(L)} Mississauga, Ontario	1968	10	43	19	Nil	72	100%	\$ 796
2360 Bonner Road, ^{(2)(3)(L)} Mississauga, Ontario	1968	Nil	68	110	34	212	98.5%	\$ 812
1425 Bodmin Road, ^{(2)(3)(L)} Mississauga, Ontario	1967	Nil	22	70	26	118	99.1%	\$ 843
5200 Lakeshore Boulevard ^{(3)(L)} Burlington, Ontario	1966	Nil	14	42	16	72	100%	\$ 820
100, 101, 200, 201 White Oaks Court, ^{(3)(L)} Whitby, Ontario	1978 and 1979	Nil	80	431	193	704	98.0%	\$ 751
Alberta								
Mayfair Place ^{(8)(L)} 6706 Elbow Drive SW, Calgary, Alberta	1971	13	154	96	9	272/ 108,046	100%/ 94.0%	\$ 618
Pentland Place ^{(8)(L)} 924-7th Avenue, SW, Calgary, Alberta	1969	1	73	74	6	154	100%	\$ 575
Garneau Towers ^{(3)(L)} 8510-111th Street Edmonton, Alberta	1965	76	154	80	Nil	310	100%	\$ 553
British Columbia								
International Plaza ^{(8)(L)} 1959-1999 Marine Drive, North Vancouver, B.C.	1975	179	222	68	4	473/ 62,752	99.8%/ 100%	\$ 710
Total					Residential Commercial	6,838 209,042	99.1 ⁽⁹⁾ 96.9%	\$ 752

Notes:

- (1) As at January 1, 1998.
- (2) Represents total monthly rental income in 1998 divided by the total number of suites. For the Ontario Properties, the average monthly rent is at the legal maximum under the *Rent Control Act, 1992* (Ontario), except for those Properties noted as (2). The *Rent Control Act, 1992* (Ontario) is expected to be replaced by the *Tenant Protection Act, 1997*, which has received Royal Assent and is expected to be proclaimed in force in April 1998. See "Residential Tenancy Legislation".
- (3) Freehold Property.
- (4) Pre-Paid Leasehold Property.
- (5) Rent is for furnished suites. RESREIT intends to convert all suites to standard rental apartment suites within nine months following Closing. Average Monthly Rent per Unit represents the average of the seven current rent controlled suites.
- (6) RESREIT will have an undivided freehold interest of 48.21% in this Property and will occupy the balance of the undivided interest pursuant to a Long Term Lease.
- (7) Townhouses.
- (8) Ground Lease Property.
- (9) Weighted average.
- (L) Lehndorff Tandem Property.
- (G) Greenwin Property.

Acquisition of the Initial Portfolio

The Initial Portfolio is comprised of 15 Properties in respect of which RESREIT will acquire a freehold interest on Closing, three Properties in respect of which RESREIT will acquire existing ground leases, eight Properties in respect of which RESREIT will acquire a leasehold interest and will prepay rent pursuant to a Long Term Lease on Closing and one Property in respect of which RESREIT will acquire a freehold interest of 48.21% and will occupy the balance pursuant to a Long Term Lease on Closing.

RESREIT has entered into the Purchase Agreements and the Agreements to Lease relating to the acquisition of the Initial Portfolio. Pursuant to the Purchase Agreements and the Agreements to Lease, RESREIT will acquire the Initial Portfolio from the Greenwin Properties Group and the Lehdorff Tandem Properties Group on Closing. The total amount payable by RESREIT in respect of the Initial Portfolio is \$365,999,931, subject to adjustments, payable as to approximately \$189,731,074 by the assumption or entering into by RESREIT of mortgages (including leasehold mortgages) and the remainder payable in cash or LT/Greenwin Units on Closing. Members of the Greenwin Properties Group and of the Lehdorff Tandem Properties Group will receive on Closing an aggregate of 2,685,000 LT/Greenwin Units and 2,265,000 LT/Greenwin Units, respectively, (representing approximately 25% of the Offering) in partial consideration for the amounts payable to them in connection with the sale or lease of the Properties. All of the LT/Greenwin Units will be fully paid Units. The Greenwin Properties Group and the Lehdorff Tandem Properties Group have agreed with RESREIT and the Agents to certain restrictions on the resale of all of the LT/Greenwin Units acquired by them. The total amount payable by RESREIT in respect of the Initial Portfolio implies an average capitalization rate for the Properties of 8.7%.

Each Long Term Lease will provide RESREIT with all of the income from the Property, including any increases in rent, for a term of 35 years. Basic rent payable under each Long Term Lease will be prepaid by RESREIT on the Closing and ongoing realty taxes, maintenance, repairs, insurance, utilities, operating expenses and, in one case, percentage rents will be paid by RESREIT during the term. The prepaid rent payable by RESREIT on Closing will be financed, in part, by the entering into of leasehold mortgages. Each Long Term Lease provides RESREIT with (i) a right of first offer (subject to the rights of existing co-owners) and (ii) a secured exclusive option to purchase the Pre-Paid Leasehold Properties at a fixed price as specifically scheduled in each Long Term Lease at any time during the last 10 years of the Long Term Lease, together with accelerated option rights in the event of the Lessors' insolvency. The fixed purchase option prices represent an average increase of approximately 1.6% per annum over the prepaid lease amount. Each Long Term Lease is a true net lease, except that RESREIT is not responsible for the Lessors' capital taxes and a portion of the cost of certain capital expenditures made within the last 10 years of the Long Term Lease, which portion is to be reimbursed by the Lessors (without interest) at the end of the Long Term Lease (or upon exercise of the right of first offer or the exclusive option to purchase) and is secured against the Lessors' interest in the Pre-Paid Leasehold Properties. At any time, without the consent of the Lessors, RESREIT may transfer its interest in each Long Term Lease (including the right of first offer and the exclusive option to purchase). Upon transfer of a Long Term Lease by RESREIT, RESREIT will only be released from liability thereunder if the transferee meets certain tests. At any time, without the consent of the Lessors, RESREIT may also finance and encumber its interest in the Long Term Lease. In addition, in order to finance certain capital repairs during the last 10 years of the Long Term Lease, the Lessors covenant to assist RESREIT by mortgaging their interest in the Pre-Paid Leasehold Properties as collateral security for any leasehold mortgage. The Lessors may only terminate the Long Term Lease if there is a substantial default by RESREIT which remains uncured after a grace period. RESREIT only has the right to terminate the Long Term Lease if more than 50% of the rentable area of the Pre-Paid Leasehold Property is damaged or destroyed during the last five years of the Long Term Lease. RESREIT is of the view that its investment objectives are equally satisfied, over the long term, by the acquisition of leasehold interests upon terms consistent with the Long-Term Leases as they are with the acquisition of freehold interests.

The completion of the purchase or lease, as the case may be, of each of the Properties comprising the Initial Portfolio is subject to certain standard conditions of closing, including without limitation, the receipt by RESREIT of satisfactory title reports and assumption or granting of mortgages, as more particularly set out in the particular Purchase Agreement or Agreement to Lease, as the case may be, relating to each such Property. While there is no current indication that such conditions will not be satisfied, there can be no assurance that such conditions will be satisfied in respect to all of the Properties and, accordingly, that all of the Properties will be acquired by RESREIT. In the event that certain of the Properties are not acquired by RESREIT, the net proceeds of the Offering to RESREIT that would

otherwise have been used to satisfy the cash payable in respect of such Properties will be used by RESREIT for future acquisitions of freehold and leasehold interests in real property, including prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. See “Risk Factors”.

Description of the Properties

The following is a detailed description of the Properties.

1 & 23 Oriole Road, Toronto, Ontario

1 and 23 Oriole Road are residential apartment buildings which are situated one block east of St. Clair and Avenue Road in the prestigious Deer Park Area of Toronto, Ontario. These apartments are very close to public transit bus routes and subway. 1 Oriole Road is an eight storey brick building without balconies and 23 Oriole Road is a four storey brick building with balconies. These buildings contain an aggregate of 127 apartment suites, consisting of 71 bachelor suites, 29 one-bedroom suites and 27 two-bedroom suites, as well as laundry facilities and air conditioning. The buildings are heated by steam boiler radiators. These apartment buildings were constructed in 1954 and 1955. There are 67 parking spaces underground and 14 surface visitor parking spaces. Approximately \$170,000 has been spent in the last 18 months to upgrade and refurbish these buildings including Fire Marshall retrofit compliance, heating and boiler upgrade, water and lighting retrofit, parking lot asphalt replacement, air conditioning replacement and installation of roof anchors. RESREIT will obtain title insurance prior to Closing for certain non-conforming building setbacks to maintain the buildings as originally constructed over 40 years ago and a minor variance application hearing to approve the existing setbacks is scheduled prior to Closing (but the appeal period does not expire until after Closing).

1004 Lawrence Avenue East, North York, Ontario

1004 Lawrence Avenue East is a residential apartment building located at Lawrence Avenue and Don Mills Road in North York, Ontario. It is situated very close to the Don Valley Parkway making it easily accessible to the Don Valley Parkway and Highway 401. The building is a four-storey brick building with balconies which was built in 1966 and is heated with gas fired boilers. Tenants are responsible for paying for their hydro consumption. An outdoor swimming pool is available during summer months for the tenants. There is an aggregate of 65 suites consisting of 35 one-bedroom suites and 30 two-bedroom suites. The building has 29 parking stalls and 32 surface parking spaces.

33 Davisville Avenue, Toronto, Ontario

33 Davisville Avenue is a highrise residential apartment building located near the intersection of Yonge Street and Eglinton Avenue in mid-town Toronto. The building is just steps away from the Davisville subway station. The surrounding neighbourhood contains similar multi-family developments on Davisville Avenue and Balliol Street. Well established single family housing is located to the north-east and west area of the project. The commercial district of the Yonge/Eglinton area is located nearby. The south elevation of the project is connected to the Balliol parkette. The Greenwin Tennis Club, providing year round tennis facilities, is a short walk away.

The building has an aggregate of 266 suites consisting of 152 bachelor suites, 76 studio suites and 38 one-bedroom suites. Built in 1973, this 20 storey highrise building is constructed of poured concrete with brick veneer facade and concrete balconies. The building is serviced by three Dover elevators and has on-site laundry facilities. Parking is provided for tenants and visitors underground in a multi-level garage containing 240 spaces which is also accessible from 22 Balliol Street (a building owned by a Related Party) by virtue of an underground tunnel easement and the right of 22 Balliol to 19 parking spaces in the garage. Major repair work to the garage facility was completed in 1991. The individual suites are heated electrically by radiant heating cables located in the ceilings of each unit. The domestic hot water heating system was converted to natural gas in 1991. Anticipated capital work includes balcony concrete repairs and future repairs to specific areas of the underground garage facility not included in the original 1991 scope of work.

111 Davisville Avenue, Toronto, Ontario

111 Davisville Avenue is a highrise residential apartment building located near the intersection of Yonge Street and Eglinton Avenue in mid-town Toronto. The building is a short walk from the Davisville subway station. The surrounding neighbourhood contains similar multi-family developments on Davisville Avenue and Balliol Street. Well

established single family housing is located to the north, east and west areas of the project. The commercial district of the Yonge/Eglinton area and along Mt. Pleasant Avenue is located nearby. The Greenwin Tennis Club, which provides year round tennis facilities, is steps away.

The building has an aggregate of 372 suites consisting of 217 bachelor units, 72 one-bedroom units, 82 two-bedroom suites and one four-bedroom penthouse suite. Built in 1970, this 23 storey apartment building is serviced by 3 Otis elevators. Amenities include on-site laundry facilities and an indoor swimming pool located on the penthouse level. The building is constructed of poured concrete with brick veneer facade and concrete balconies. Parking for 334 vehicles is located underground in the multi-level garage facility. Visitors parking for 15 cars is located directly in front of the building. Building heat is provided by natural gas. The entire heating plant was replaced with high efficiency package boilers in 1992. The common area corridors of the project were also completely renovated in 1993. An extensive balcony repair program was completed in 1994-95. The building exterior was also repainted at the same time.

411 Duplex Avenue, Toronto, Ontario

411 Duplex Avenue is a residential highrise apartment building located at the intersections of Yonge Street and Eglinton Avenue in mid-town Toronto. This building, together with 33 Orchardview Boulevard, forms the residential component of the Yonge/Eglinton Centre, a landmark residential office and retail complex. The location of the building provides the convenience of immediate access to the Yonge/Eglinton Centre shopping centre, its numerous shops and services and adjoining office facilities, as well as direct indoor access to the Eglinton subway station. The surrounding Yonge/Eglinton mid-town district is made up of offices, retail shops and restaurants, as well as an established residential community.

The building contains an aggregate of 455 suites consisting of 63 bachelor suites, 220 studio suites, 128 one-bedroom suites and 44 two-bedroom suites. Built in 1974, this 22 storey building was constructed of poured concrete including the balcony slabs and panels. Individual suites are electrically heated by radiant heating cables located in the ceilings of each unit. Domestic hot water is heated by natural gas. There is an indoor swimming pool and sundeck both located on the penthouse level. On-site laundry facilities are also provided. Under the terms of an agreement which is intended to be executed prior to Closing among the tenants of Yonge/Eglinton Centre, the owners of 411 Duplex Avenue and the subtenants of 33 Orchardview Boulevard, 226 unreserved parking spaces will be available underground from the Yonge/Eglinton Centre. This agreement will require the aforesaid parties to cooperate with RESREIT to obtain Planning Act consent in respect of this agreement if required. If such Planning Act consent is required and is not obtained, the term of this agreement will expire in 21 years. The building also contains 14,857 square feet of retail commercial space which forms part of the Yonge/Eglinton Centre shopping concourse. Future capital work includes repairs to the concrete balconies which is scheduled for the Spring of 1998.

77 Huntley Street, Toronto, Ontario

77 Huntley Street is a residential highrise apartment building located near the intersections of Bloor Street and Mt. Pleasant Boulevard just steps from the Sherbourne subway station. The project is located just south of the prestigious residential areas of Rosedale. This building forms part of the Greenwin Square residential, office/retail mall complex which provides residents with direct access to its many shops, restaurants and conveniences. The project is also located within walking distance of the fashionable Bloor/Yonge shopping district. The project contains 559 apartment suites consisting of 181 bachelor suites, 276 one-bedroom suites and 102 two-bedroom suites. Built in 1973, this 26 storey building is equipped with 4 Dover elevators. Additional amenities include an indoor swimming pool located on the penthouse level and on-site laundry facilities. The building is heated by electricity via radiant heating cables located in the ceiling of each unit. The domestic hot water heating plant was converted to natural gas in 1992. Ample parking is provided below the complex for tenants and visitors of both 77 Huntley as well as the commercial component of Greenwin Square. The building also contains 23,387 square feet of retail commercial space which forms an integral part of the Greenwin Square retail component. A shared facilities agreement and a parking agreement are intended to be executed prior to Closing by the owner of the Property and the owner of the commercial component of Greenwin Square known municipally as 365 Bloor Street East. These agreements will require the Lessor and the abutting landowner to cooperate with RESREIT to obtain Planning Act consent in respect of these two agreements if required. If such Planning Act consent is required and is not obtained, the term of these agreements will expire in 21 years.

88 Isabella Street, Toronto, Ontario

88 Isabella Street is a 14 storey, 82 unit high-rise apartment building located near the Yonge and Bloor Street area of Toronto, close to public transit bus routes and subway. The property is bounded by mixed uses of multi-family and single family residences, as well as retail and office projects. The building is also located close to the well-established, rejuvenated residential neighbourhood of Cabbagetown. Maple Leaf Gardens is within walking distance of the project. The building contains 28 bachelor and junior one-bedroom units, 53 one-bedroom units and one two-bedroom suite of which a significant number are presently furnished. The furnished suites are intended to be converted to standard rental apartments within nine months following Closing. The project was constructed in 1968 with poured concrete walls and balconies and the facade is clad with brick veneer. The building is serviced by two Otis Elevators. Amenities include on-site laundry facilities.

The parking facility provides spaces for 80 vehicles in the indoor multi-level parking garage; 16 spaces are located on grade for visitors. Building heat and domestic hot water is fuelled by natural gas. Capital work scheduled for the immediate future includes underground garage concrete repairs, common area redecorating, completion of fire retrofit work and remedial balcony repair work.

500 Murray Ross Parkway, North York, Ontario

500 Murray Ross Parkway is a residential highrise apartment building located in a ravine, cul-de-sac setting near the intersection of Keele Street and Finch Avenue in North York. The building is bordered by York University to the north and the Black Creek ravine to the southwest. Public transit is only a few steps away.

Constructed in a Y-shape configuration to maximize views, the building contains an aggregate of 390 apartment suites consisting of 76 one-bedroom suites, 260 two-bedroom suites and 54 three-bedroom suites. All three-bedroom units have two washrooms. Built in 1978, this 22 storey building was constructed of poured concrete walls, balconies and a brick veneer facade. The building is serviced by 4 Dover elevators. Building heat and domestic hot water is fuelled by natural gas. Amenities include an outdoor swimming pool, tennis courts and on-site laundry facilities. The building received a significant injection of capital improvements in 1991 which included underground garage repairs, exterior painting, landscaping upgrades, complete upscale common area re-decoration and numerous physical plant upgrades.

There are 463 parking spaces available, 365 of which are provided in the multilevel underground garage.

On Closing, RESREIT will acquire an undivided freehold interest of 48.21% in the Property and will occupy the balance of the undivided interest of the Property pursuant to a Long Term Lease. A co-owners agreement has been entered into by RESREIT and the owners of the remaining freehold interest in the Property which provides for, among other matters, a buy-sell mechanism which is applicable in certain circumstances. If a co-owner is in default under the Long-Term Lease, its rights as owner pursuant to such co-owners agreement are suspended.

33 Orchardview Boulevard, Toronto, Ontario

33 Orchardview is a residential high-rise apartment building located at the intersections of Yonge Street and Eglinton Avenue in mid-town Toronto. This building, together with 411 Duplex Avenue, forms the residential component of the Yonge/Eglinton Centre, a landmark residential office and retail complex. The location of the building provides the convenience of immediate access to the Yonge/Eglinton Centre shopping centre and its numerous shops and services and adjoining office facilities, as well as direct indoor access to the Eglinton subway station. The surrounding Yonge/Eglinton mid-town district is made up of offices, retail shops and restaurants as well as a well established residential community.

The building contains an aggregate of 326 suites consisting of 114 bachelor suites, 114 studio suites, 64 one-bedroom suites and 34 two-bedroom suites. Built in 1976, this 18 storey building was constructed of poured concrete including the balcony slabs and panels. Individual suites are electrically heated and air conditioned by incremental in-suite units. Domestic hot water is heated by natural gas. On-site laundry facilities are also provided. Under the terms of an agreement which is intended to be entered into prior to Closing among the tenants of Yonge/Eglinton Centre, the owners of 411 Duplex Avenue and the subtenants of 33 Orchardview Boulevard, 160 unreserved parking spaces will be available underground from the Yonge/Eglinton Centre. This agreement will require the aforesaid parties to cooperate with RESREIT to obtain Planning Act consent in respect of this agreement if

required. If such Planning Act consent is required and is not obtained, the term of this agreement will expire in 21 years. Future anticipated capital work includes repairs to the concrete balconies which is scheduled for the Spring of 1998.

The owner of the Yonge/Eglinton Centre lands leases these lands pursuant to a long term lease in favour of the Yonge/Eglinton Centre tenants, who in turn have entered into a long term air rights sublease for 33 Orchardview Boulevard. RESREIT will sub-sublease this Property from the tenant of the air rights sublease pursuant to a Long Term Lease. Under the terms of the Long Term Lease for 33 Orchardview Boulevard, in addition to basic rent payable during the Long Term Lease, which will be prepaid by RESREIT on Closing, RESREIT will be responsible for all basic rent, percentage rent, utilities rent and all other monies due from time to time by the subtenant under the terms of the air rights sublease. Should RESREIT exercise its option to purchase or right of first offer (as described under the heading “Initial Portfolio – Acquisition of the Initial Portfolio”), RESREIT would acquire the air rights subleasehold interest (which, if renewed by RESREIT, will extend to December 31, 2072) but not the freehold interest. If the air rights sublease is terminated, the landlord of the air rights sublease will enter into a direct sublease with RESREIT on the same terms as the air rights sublease with certain modifications.

10 San Romanoway, North York, Ontario

10 San Romanoway is a highrise residential apartment building located near the intersection of Highway 400 and Finch Avenue. Access to the new provincial Highway 407 is just a short distance away. The project is also located within close proximity of Black Creek Pioneer Village and Canada’s Wonderland. Public transit bus routes are located just outside the building. Shopping facilities are located immediately to the south and the west of the project.

The project contains an aggregate of 428 suites consisting of 98 one-bedroom units, 131 one-bedroom plus den units, 67 two-bedrooms units and 132 three-bedroom suites. This 32 storey project was completed in 1977. The building is constructed in a Y-configuration to maximize views from each unit. Each suite has a sunken living room area. All two and three bedroom suites have two washrooms. Amenities include an indoor swimming pool, children’s playground, and daycare facility. These amenities form an integral component of the 15 San Romanoway shared recreation facility and are shared with the owners and occupants of the two adjoining condominiums located at 5 and 25 San Romanoway. There are 494 parking spaces available, of which 409 spaces are located underground in a one level parking garage. The building is heated by natural gas. The domestic hot water heating system was completely replaced in 1994. Extensive water conservation and lighting conversion programs were completed in 1992.

The building is owned separately by the Lessor and the lands on which the building is situated are leased by the Lessor under a land lease which expires on December 30, 2026 and which will be extended on Closing until December 30, 2033. The owner of the lands has also agreed to provide RESREIT with an option to purchase the lands. RESREIT has entered into a Long Term Lease consisting of a lease of the building and a sublease of the lands on which the building is situated. The recreation centre is leased 50% to the two adjoining condominium buildings until October 31, 2026. The costs of operating the recreation centre are also shared 25% by each of the condominium corporations until their lease expires on October 31, 2026.

921, 923 and 925 St. Clair Avenue West, Toronto, Ontario

921, 923 and 925 St. Clair Avenue West are three residential lowrise apartment buildings built in 1955 and located on the south side of St. Clair Avenue West between Dufferin and Bathurst Streets. Public transit is available along St. Clair Avenue West. The St. Clair Avenue West subway station is in close proximity to the subject property. The neighbourhood surrounding the subject property comprises a variety of detached and semi-detached single family dwellings. St. Clair Avenue West is characterized by a wide array of street level retail shops conveniently providing all the essential needs within walking distance of the properties. The buildings are constructed of wood frame with a brick veneer and some tudor style, upper facades. The buildings consist of an aggregate of 71 units consisting of 40 bachelor suites and 31 one-bedroom suites. Building heat and domestic hot water are fuelled by natural gas. There is no parking provided at 921, 923 or 925 St. Clair Avenue West, but convenient street parking is available. Amenities include on-site laundry facilities.

25 Bay Mills Boulevard, Scarborough, Ontario

25 Bay Mills Boulevard is a residential highrise apartment building located on the northeast corner of the intersection of Sheppard Avenue and Bay Mills Boulevard, near the main intersection of Sheppard Avenue and Warden

Avenue a short distance from Highway 401. There is an aggregate of 281 suites consisting of seven bachelor suites, 87 one-bedroom suites, 168 two-bedroom suites and 19 three-bedroom suites. This air conditioned 20 storey building, constructed in 1974, is reinforced concrete frame with balconies, non-combustible concrete columns, walls and floor slabs with exterior brick cladding. An aggregate of 343 parking spaces are available consisting of 231 underground parking spaces, 87 surface parking spaces and 25 visitor parking spaces. The building is heated by hot water gas boilers for units and hallway reznors. There is an outdoor pool and tennis courts.

7 and 9 Roanoke, North York, Ontario

7 and 9 Roanoke are two nine-storey residential apartment buildings located on the northeast corner of Lawrence Avenue and the Don Valley Parkway in the City of North York. These buildings contain an aggregate of 226 suites consisting of 94 one-bedroom suites, 126 two-bedroom suites and six three-bedroom suites. These nine storey buildings were constructed in 1963 and all have balconies. There is a playground area and an outdoor swimming pool. An aggregate of 258 parking spaces are available, consisting of 194 underground parking spaces and 64 above ground parking spaces. The hallways are heated by electric heating and in-suite is hot water heating. Approximately \$224,000 has been spent since the acquisition of these buildings in March of 1997 on outstanding fire retrofit compliance, heating/boiler upgrades and repairs, garage ventilation, penthouse patio roofing and fencing replacement.

56-88 Cassandra Boulevard, North York, Ontario

56-88 Cassandra Boulevard are residential townhouses located just north of the corner of Lawrence Avenue and the Don Valley Parkway in the City of North York. The complex has an aggregate of 160 townhouses consisting of 44 two-bedroom townhouses, 88 three-bedroom townhouses and 28 four-bedroom townhouses. These buildings were constructed in 1965 and are woodframe townhouses. Parking is available for an aggregate of 245 vehicles consisting of 240 aboveground parking spaces and five visitor parking spaces. There is a swimming pool and playground area. The townhouses are heated by gas fired boilers.

236 Dixon Road, Etobicoke, Ontario

236 Dixon Road is a residential apartment building located on the north side of Dixon Road and east of Islington Avenue in the City of Etobicoke. Built in 1963, this building is a 12 storey concrete block highrise consisting of an aggregate of 123 suites which includes 35 one-bedroom suites, 74 two-bedroom suites and 14 three-bedroom suites. A minor variance has been obtained permitting three additional apartments which is not reflected in the Forecast. There are 156 parking spaces available, consisting of 63 underground parking spaces, 59 aboveground parking spaces and 34 visitor parking spaces. The apartments are heated by gas boilers. Approximately \$140,000 has been spent in respect of this building since January of 1997 on concrete balcony repairs, balcony railing painting, balcony waterproofing, landscaping and roof anchors.

1055 Bloor Street East, Mississauga, Ontario

1055 Bloor Street East is a 18 storey apartment building located on Bloor Street and close to Dixie Road. The building was constructed in 1971 with reinforced concrete noncombustible walls, columns and floor slabs, with a brick exterior. There is an indoor swimming pool, tennis court, sauna and exercise room. The building has an aggregate of 323 suites consisting of 153 one-bedroom suites, 154 two-bedroom suites and 16 three-bedroom suites. Heating is provided by hot water gas boilers. An aggregate of 444 parking spaces are available consisting of 216 indoor spaces, 173 outdoor spaces, 52 visitor spaces and three handicap parking spaces.

2333 Truscott Drive, Mississauga, Ontario

2345 Truscott Drive, Mississauga, Ontario

2360 Bonner Road, Mississauga, Ontario

1425 Bodmin Road, Mississauga, Ontario

These residential apartment buildings are located in the Southdown Road and Queen Elizabeth Way area of Mississauga. 2333 Truscott Drive is an 18 storey building with an aggregate of 197 suites consisting of 18 bachelor suites, 61 one-bedroom suites, 80 two-bedroom suites, and 38 three-bedroom suites. 2345 Truscott Drive is a three storey building with an aggregate of 72 suites consisting of 10 bachelor suites, 43 one-bedroom suites and 19 two-bedroom suites. 2360 Bonner Road is a 19 storey building with an aggregate of 212 suites consisting of

68 one-bedroom suites, 110 two-bedroom suites and 34 three-bedroom suites. 1425 Bodmin Road is a 12 storey building with an aggregate of 118 suites consisting of 22 one-bedroom suites, 70 two-bedroom suites and 26 three-bedroom suites. These buildings were constructed in the late 1960s and all four buildings have balconies. The heating is by gas fired boilers. This complex has an aggregate of 791 parking spaces consisting of 477 underground parking spaces and 314 surface parking spaces. These apartment buildings are surrounded by a landscaped park and share a playground and outdoor swimming pool. Approximately \$1,050,000 has been spent in the last 24 months consisting of underground garage repairs at 2333 Truscott, 1425 Bodmin and 2360 Bonner Road, balcony concrete repairs at 2333 Truscott, water and lighting retrofits on all buildings, redecoration of common areas at 2360 Bonner Road as well as replastering of stairwells, Fire Marshall retrofit compliance on all buildings, and installation of new playground equipment.

5200 Lakeshore Boulevard, Burlington, Ontario

5200 Lakeshore Boulevard is an eight-storey residential apartment building located between Appleby Line and Burloak Drive in Burlington overlooking Lake Ontario. The building has an aggregate of 72 suites consisting of 14 one-bedroom suites, 42 two-bedroom suites and 16 three-bedroom suites. Built in 1966, this is an eight storey brick building with balconies. There is an outdoor swimming pool and large picnic area and each suite has a view of the lake. The building is heated with natural gas hot water boiler. There are 79 surface parking spaces including seven visitor parking spaces. Approximately \$75,000 has been spent in the last 24 months on fire retrofit, water and lighting retrofit, installation of roof anchors, exterior painting and interior common area painting.

100, 101, 200 and 201 White Oaks Court, Whitby, Ontario

100, 101, 200 and 201 White Oaks Court are residential apartment buildings located west of Brock Street and Dundas Street in Whitby on the eastern edge of the Greater Toronto Area. 100 White Oaks has an aggregate of 198 suites consisting of two one-bedroom suites, 120 two-bedroom suites and 76 three-bedroom suites. 101 White Oaks has an aggregate of 198 suites consisting of two one-bedroom suites, 120 two-bedroom suites and 76 three-bedroom suites. 200 White Oaks has an aggregate of 162 suites consisting of 40 one-bedroom suites, 100 two-bedroom suites and 22 three-bedroom suites. 201 White Oaks has an aggregate of 146 suites consisting of 36 one-bedroom suites, 91 two-bedroom suites and 19 three-bedroom suites. The total number of suites in the four-building complex is 704. The complex was constructed in the 1970s with reinforced concrete and brick with walk outs to reinforced concrete balconies. Hallways are finished with carpet flooring and papered walls. There is a squash court, sauna, whirlpool and children's play area for each building. The in-suite heating is electric and the hallways are gas heated. There is an aggregate of 939 parking spaces which consist of 760 indoor parking spaces, 124 outdoor parking spaces and 55 visitor parking spaces. Since December of 1996, approximately \$130,000 has been spent on water conservation and lighting retrofit, roof repairs, refurbishment of recreation facilities, heating boiler upgrades, Fire Marshall retrofit compliance and common area improvements. A further \$3,300,000 has been committed to the following repairs, which are presently underway, but only partially completed: garage roof repairs on all four buildings; garage slab replacement/repair at 101 and 201 White Oaks; roof replacement at 101 and 201 White Oaks; and roof repair at 100 and 200 White Oaks. The amount of the aforementioned repairs will be borne by RESREIT but has been factored into the purchase price for this Property.

Mayfair Place, 6706 Elbow Drive S.W., Calgary, Alberta

Mayfair Place, 6706 Elbow Drive S.W. is on the southwest corner of Glenmore Trail and Elbow Drive, one of the busiest intersections in Calgary, which is primarily a residential and suburban office district. The building is mixed use consisting of approximately 108,046 square feet of commercial space with retail on the ground level and offices on the second and third floors. Approximately \$2 million has been spent in the last two years to refurbish certain aspects of the Property including minor structural repairs, hot water risers, corridor finishes, renovation and enhancement of commercial premises as well as the underground garages. The residential suites aggregate 272 with 13 bachelor suites, 154 one-bedroom suites, 96 two-bedroom suites and nine penthouse suites. The third floor has a covered pool and spa. The building is heated by gas hot water perimeter radiators. There is an aggregate of 414 parking spaces which include 307 underground parking spaces and 107 surface parking spaces. The commercial area is serviced by a central HVAC system with perimeter radiation system. Cooling is supplied by a 280 ton chiller. This complex was constructed in 1971 and is constructed of post tensioned concrete with sprinklered underground parking. The land is subject to a ground lease from The Canada Life Assurance Company. The term of the ground lease is 99 years

terminating on March 31, 2070. Rent is adjusted in April of 2001, 2021 and 2041 pursuant to a pre-determined formula which requires the use of appraisers. The ground lease is a net lease and contains terms and conditions typical for a ground lease held by an institution, including the need to obtain the lessor's consent in certain circumstances to an assignment of the ground lease and to material alterations to the structure. The ground lease also provides for the reversion of the building to the lessor at the end of the term. The ground lease does not contain an option to purchase the lands in favour of the ground lessee.

Pentland Place, 924-7th Avenue S.W., Calgary, Alberta

924-7th Avenue S.W. is a highrise apartment building located in downtown Calgary west of the City Centre. The building has an aggregate of 154 suites consisting of one bachelor, 73 one-bedroom suites, 74 two-bedroom suites, two three-bedroom suites and four penthouse suites and a small amount of commercial space on the ground level. Built in 1969, this is a concrete structure with a build-up roof. The 20 levels of apartments have carpet and linoleum floor coverings. A swimming pool and change room is located on the third floor. Parking is available for an aggregate of 138 spaces, 69 underground parking spaces and 69 aboveground covered parking spaces. The Parkade and office levels are fully sprinklered. The building is heated with gas hot water perimeter. The land is subject to a ground lease from The Mutual Life Assurance Company of Canada. The term of the ground lease is 99 years terminating on March 31, 2068. Rent is adjusted in April of 2019 and 2044 pursuant to a pre-determined formula which requires the use of appraisers. The ground lease is a net lease and contains terms and conditions typical for a ground lease held by an institution, including the need to obtain the lessor's consent in certain circumstances to an assignment of the ground lease and to alterations in excess of \$25,000, as well as for the reversion of the building to the lessor at the end of the term. The ground lease does not contain an option to purchase in favour of the ground lessee.

Garneau Towers, 8510-111th Street, Edmonton, Alberta

Garneau Towers, 8510-111th Street, is a residential 20 storey apartment building located near the University of Alberta. The building is a concrete construction built in 1965 and in the 1980s the one- and two-bedroom apartments were renovated. There is an aggregate of 310 suites comprised of 76 bachelor suites, 154 one-bedroom suites and 80 two-bedroom suites. The suites have a standard of painted plaster walls, stipple ceilings, hardwood floors in the living and bedroom areas and linoleum floor coverings in the kitchens and bathrooms. There are on-site laundry facilities and the building has a sauna. It is heated by hot water boiler and serviced by three elevators. The Parkade has 669 spaces. The vendor has leased certain excess parking spaces to an adjoining owner for a term expiring in 2001, with an option in favour of the adjoining owner to renew for a further 30 years. The adjoining owner has been put on notice by the vendor of this Property that the adjoining owner is in default of certain maintenance and repair obligations under the parking lease. On Closing, RESREIT will not be in a position to obtain an estoppel certificate concerning the parking lease from the adjoining owner. RESREIT has obtained an indemnity from a member of Lehndorff Tandem in respect of this matter.

International Plaza, 1959-1999 Marine Drive, North Vancouver, British Columbia

1959-1999 Marine Drive is a highrise and commercial complex located near the entrance to the Lions Gate Bridge in North Vancouver. The Plaza complex consists of approximately 62,752 square feet of commercial space and two apartment buildings with recreation facilities and swimming pool atrium. The apartments contain an aggregate of 473 suites which include 179 bachelor suites, 222 one-bedroom suites, 68 two-bedroom suites and four penthouses. The complex was built in 1975. The foundation is poured concrete, the walls are cast in place concrete and the roof is tar and gravel. The main floor has broadloom and tile floorings, drywall partitioning and suspended acoustic tile ceilings. The second floor has broadloom floorings, good quality drywall and glass block partitioning, and "t-bar" ceilings. The buildings have hot water heat and the west wing annex has in-suite air conditioning units. The structure is connected to a central fire alarm system for the entire complex. Approximately \$6.5 million has been spent within the last two years to refurbish the underground garages, mechanical systems, hot water risers, tennis courts, landscaped areas, building finishes and parking lot and to attract commercial tenants. RESREIT's interest is derived from a ground lease from Her Majesty The Queen In Right of Canada, acting by the Minister of Indian Affairs and Northern Development. The term of the ground lease is approximately 73 years terminating on March 31, 2045. By agreement with the Squamish Nation, rent is adjusted periodically, with increases on each of August 1, 1999 and August 1, 2002. During the period commencing August 1, 2002, percentage rent, at the rate of 1.5% of gross rental revenues, is added to the rent payable during the previous two year period. For the five year period ending July 31, 2009, rent is to be determined based on a fair market value basis, without allowance for improvements constructed on the lands, and

thereafter, rent is to be determined every 10 years by agreement, or failing that, by submission to the Federal Court of Canada. The ground lease is a net lease and contains terms and conditions typical for a ground lease with an institution, including the need to obtain the Lessor's consent in most circumstances to an assignment of the ground lease, to financing and to material alterations to the structure, as well as for the reversion of the building to the Lessor at the end of the term. The ground lease does not contain an option to purchase in favour of the ground lessee. RESREIT intends to purchase title insurance in respect of its interest in this ground lease on Closing.

Capital Improvements and Expenditures

An Engineering Report has been prepared in respect of each of the Properties by Halsall Associates Limited, independent professional engineers, for the purpose of enabling RESREIT to evaluate the condition and structural integrity of each building and major building operating components and systems, identifying and costing-out deficiencies that are the subject of any work orders or likely work orders and/or deferred maintenance items. Each building has been measured on that standard consistent with its market segment and current rent levels. Each of the building condition audits was completed on the basis of work which is required to be completed within approximately one year and work which is recommended to be performed for subsequent years in order to maintain appropriate building conditions. Capital improvement work to be carried out in the first year of the Forecast largely represents the continuation of work which is currently underway as part of the current owners' ongoing planned maintenance programs. The Engineering Reports estimate that approximately \$4.755 million of capital improvement work is required to be carried out on the Properties in the first year following Closing and an estimated \$17.1 million commencing in the ensuing four years on a life cycle basis. Work orders and Fire Code Retrofit requirements are outstanding with respect to some of the Properties. To the extent the required work is not completed prior to Closing, and to the extent that Lessors/vendors are not required to undertake to complete the necessary work to clear such work orders and requirements, RESREIT will comply with the work orders and retrofit requirements in accordance with prudent management practices.

Based on an analysis of the estimates in the Engineering Reports, including the anticipated timing and the nature of the proposed capital expenditure work, and based on the experience of management of the Advisor, RESREIT has established an approximately \$4.4 million capital expenditures program to be substantially completed by the end of 1998, and an approximately \$5.6 million capital expenditure program in the ensuing four years ending 2002. These capital expenditures will be financed as to approximately \$4.4 million from working capital and the remainder from new debt. RESREIT, as part of its annual asset review program, will monitor the appropriate level of capital expenditures to ensure that RESREIT's properties remain competitive.

Environmental

Phase I environmental site assessments (also known as environmental audits) of each of the Properties were performed by independent environmental consultants, O'Connor Associates Environmental Inc. ("O'Connor"), Shaheen & Peaker Limited or Beak International Incorporated. O'Connor was also retained to perform a Phase II environmental assessment for the Property at 1055 Bloor Street East, Mississauga, Ontario which confirmed the proper removal of an underground storage tank.

The Phase I environmental site assessments did not reveal any material environmental concerns with respect to the Properties. However, there was indication with respect to some of the Properties that certain remediation activities would be prudent. RESREIT will undertake the remediation requirements in accordance with its environmental management program and prudent management practices. Where the environmental consultants have indicated the need for remediation of a more immediate nature, RESREIT will cause such remediation to be effected as soon as possible following Closing. These remediation activities will not involve any material expenditures and may be completed by the vendors or lessors under applicable Purchase Agreements or Agreements to Lease, as the case may be, on or shortly following the Closing. The Purchase Agreements and Agreements to Lease also contain certain environmental representations, warranties and indemnities in favour of RESREIT. RESREIT is not aware of any material non-compliance, liability or other claim in connection with environmental matters at any of the Properties, nor is RESREIT aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditures by RESREIT.

On Closing, RESREIT will adopt an environmental management program which will provide, among other things, that RESREIT will have conducted on every Property in which RESREIT proposes to acquire an interest a Phase I environmental assessment and such further environmental assessments as may be indicated.

Financing

The following table summarizes the mortgages that will be in place on the Properties immediately following Closing after giving effect to the acquisition of the Initial Portfolio and the utilization by RESREIT of part of the net proceeds of the Offering to discharge certain mortgages and buy down the interest rate on certain mortgages. Some of the mortgages are CMHC insured. Immediately following the Closing, the weighted average interest rate on outstanding mortgage indebtedness will be approximately 6.529%.

<u>Property</u>	<u>Principal Amount of Mortgage⁽¹⁾</u>	<u>Interest Rate</u>	<u>Expiry Date</u>
1&23 Oriole Road Toronto, Ontario	\$ 5,135,444	5.850%	1-Feb-02
1004 Lawrence Ave. North York, Ontario	2,313,812	6.900%	10-Aug-00
33 Davisville Ave. Toronto, Ontario	3,962,205	6.380%	10-Jun-02
111 Davisville Ave. Toronto, Ontario	12,890,722	6.950%	10-Jun-07
411 Duplex Avenue Toronto, Ontario	4,720,005	6.780%	10-Jan-07
411 Duplex Avenue Toronto, Ontario	1,971,303	7.530%	10-Jan-07
77 Huntley Street Toronto, Ontario	9,624,635	7.040%	15-Jan-07
88 Isabella Street Toronto, Ontario	928,271	6.950%	1-Jun-02
500 Murray Ross Pkwy. North York, Ontario	11,231,894	6.950%	20-May-07
33 Orchardview Blvd. Toronto, Ontario	4,528,029	6.950%	1-Jan-02
10 San Romanoway North York, Ontario	9,000,000 ⁽²⁾	5.980%	1-Jun-07
921-925 St. Clair Toronto, Ontario	566,310	7.250%	1-Apr-99
921-925 St. Clair Toronto, Ontario	594,963	7.250%	1-Apr-99
921-925 St. Clair Toronto, Ontario	421,975	7.250%	1-Apr-99
25 Bay Mills Blvd. Scarborough, Ontario	9,856,099	6.900%	1-Jun-01
7&9 Roanoke Road North York, Ontario	7,508,528	6.920%	1-Oct-02
56-88 Cassandra Blvd. North York, Ontario	9,487,586	6.250%	1-Jan-01
236 Dixon Road Etobicoke, Ontario	4,329,095	6.500%	1-Nov-04

<u>Property</u>	<u>Principal Amount of Mortgage⁽¹⁾</u>	<u>Interest Rate</u>	<u>Expiry Date</u>
1055 Bloor Street East Mississauga, Ontario	18,000,000	6.830%	1-Feb-08
Truscott/Bonner/Bodmin Mississauga, Ontario	17,949,264	6.900%	1-Sept-01
5200 Lakeshore Blvd. Burlington, Ontario	2,356,744	6.900%	1-May-98
100, 101, 200, 201 White Oaks Court Whitby, Ontario	15,775,414	5.320%	28-Feb-99
Mayfair Place 6706 Elbow Drive S.W. Calgary, Alberta	1,641,915	6.900%	10-Feb-02
Pentland Place 924-7th Ave. S.W. Calgary, Alberta	Nil	N/A	N/A
Garneau Towers 8510-111 S. West Edmonton, Alberta	9,936,861	6.190%	1-Jan-01
International Plaza 1959-1999 Marine Drive North Vancouver, B.C.	25,000,000	6.190%	1-Mar-01
Total	\$189,731,074	6.529%⁽³⁾	5.38 years⁽⁴⁾

(1) Approximate amounts as at February 1, 1998.

(2) RESREIT has obtained CMHC insurance on this mortgage at an insurance cost of approximately \$180,000, which amount will be amortized over a 25 year term.

(3) Weighted average.

(4) Weighted average term to maturity.

Acquisition and Operating Facility

RESREIT intends to arrange an Acquisition and Operating Facility to fund future acquisitions of interests in real property and certain operating expenses of the Properties. The Acquisition and Operating Facility will be a revolving credit facility and amounts drawn thereunder will not, after giving effect to the incurring of such indebtedness, cause the total amount of indebtedness of RESREIT (excluding the Instalment Loan) and the amount then advanced under the Acquisition and Operating Facility to exceed 70% of the Gross Book Value, unless a majority of the Trustees, in their discretion, determine that the maximum amount of indebtedness will be based on the appraised value of the real properties of RESREIT. Periodically, funds raised by RESREIT from future equity offerings may be used by RESREIT to pay down the Acquisition and Operating Facility. The Acquisition and Operating Facility will provide RESREIT with an additional advantage in the real estate acquisitions market by enabling RESREIT to enter into negotiations for the purchase of properties without the need for an equity financing condition.

INDEPENDENT APPRAISAL OF THE PROPERTIES

RESREIT retained MacKenzie, Ray, Heron & Edwardh, Real Estate Appraisers & Consultants (the “Appraiser”) to provide an independent appraisal and valuation opinions of the market value of the Properties to be acquired by RESREIT. The Appraisal was prepared in conformity with the Code of Professional Ethics and the 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, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimuli”.

In its Appraisal dated September 1, 1997, the Appraiser estimated the aggregate market value of the Initial Portfolio as at September 1, 1997 to be between \$363,074,031 and \$381,454,654, which amounts assume that approximately \$4,755,000 has been spent on capital improvements. The aggregate market value of the Freehold Properties as at September 1, 1997 was estimated to be between \$183,514,781 and \$192,805,217, and the aggregate market value of the Ground Lease Properties as at September 1, 1997 was estimated to be between \$53,951,219 and \$56,682,500. The market value was determined by using an income valuation approach and a direct capitalization rate method reconciled with a direct comparison approach. In addition, the Appraiser estimated the aggregate market value of the Long Term Leases, as of September 1, 1997, to be between \$125,608,030 and \$131,966,936. In respect of the Freehold Properties, the Appraiser utilized a capitalization rate of between 7.75% and 9% with a weighted average capitalization rate of approximately 8.7%. In respect of the market value determination of the Ground Lease Properties, the Appraiser utilized a capitalization rate of between 7.75% and 8.50% with a weighted average capitalization rate of approximately 8.1%. In respect of the determination of the market value of the Long Term Leases (that is, the present value of net operating income from such Properties over 35 years to be earned by RESREIT), the Appraiser utilized a discount rate of between 9.5% and 12.25% with a weighted average discount rate of approximately 10%. This implies a weighted average capitalization rate of approximately 8.7% for the Long Term Leases.

The appraised values per residential suite range from \$32,394 to \$91,875. The average appraised value is \$54,424 for all residential suites. The Appraiser gave appropriate consideration to a forecast of income for each Property in terms of market rental rates, growth rates, vacancy rates, tenant improvements, tenant rollovers, ground lease obligations, the terms of the Long Term Leases, capital expenditures which RESREIT has committed to spend, interest rates on mortgages and regulatory issues. The Appraiser visited each Property to assess locational and physical characteristics, and an estimate of the highest and best use was made. Appropriate valuation techniques were used, having due regard to the analysis of the income and operating characteristics, current market conditions as well as prevailing economic and industry information.

In determining the approximate market value of the Initial Portfolio, the Appraiser relied on operating and financial data provided by or on behalf of RESREIT, including detailed rent rolls, the Engineering Reports and environmental reports. Based on its review of the Properties and other relevant factors, the Appraiser considered such data to be reasonable and supportable and within market parameters. In conducting its Appraisal, the Appraiser assumed that freehold title to each of the Properties is good and marketable and that each of the Properties was free from environmental contamination.

The Appraiser estimated that the market value of the Initial Portfolio is approximately 60% of current replacement cost. For each Property, the Appraiser's market value estimate of the Long Term Lease was less than the Appraiser's market value estimate of that Property when valued on a freehold basis.

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.

MULTI-UNIT RESIDENTIAL REAL ESTATE MARKET

The RESREIT real property portfolio will be comprised primarily of interests in income-producing multi-unit residential properties. Properties will consist of well located low-rise and high-rise apartment buildings and townhouse complexes in major urban centres.

This particular type of real estate differs significantly from the commercial real estate investment market particularly because of the following:

1. Residential tenancy agreements are generally subject to annual increases providing inherent potential for continued revenue growth.

2. Cash flow for each property is generated by a diverse tenant base. The temporary loss of any one of these tenants through turnover will have no significant effect on RESREIT's overall income stream.
3. The demand for residential rental accommodation is much more consistent and stable than the commercial rental marketplace, reflecting demographic trends and the need for housing, unlike its commercial counterpart which is governed by economic business cycles.
4. The costs necessary to attract and retain residential tenants are generally lower and much more predictable than in the case of commercial tenancies, regardless of the stage of the business cycle.
5. The value of residential buildings has been less susceptible to economic business cycles than other classes of income producing real estate.

While the characteristics detailed above mitigate the detrimental effects of severe cyclical swings in the real estate industry, the residential market is not completely immune to supply and demand imbalances.

Ownership of apartments is diverse and very fragmented, and rental management is often performed by the owner itself. The Advisor believes there are acquisition opportunities as a result of the fragmented market and opportunities to enhance income through the application of professional management practices.

The following table sets out market vacancy rates as at October 1997 (the date of the most recent CMHC reports) and the vacancy rates of the Properties as at October 1, 1997:

<u>Area</u>	<u>Number of RESREIT's Rentable Suites</u>	<u>Market Vacancy Rate as at October 1997</u>	<u>Vacancy Rate of Properties as at October 1, 1997</u>
Toronto Central	2,258	0.7%	0.2%
Scarborough City	281	1.4%	1.5%
North York Northwest	818	0.8%	3.1%
North York Northcentral	451	0.3%	0.5%
Etobicoke City	123	0.7%	Nil
Mississauga City	922	0.9%	1.1%
Whitby	704	1.8%	2.0%
Burlington	72	1.4%	Nil
Calgary	426	0.5%	Nil
Edmonton	310	4.6%	Nil
Vancouver	473	1.7%	0.2%
Weighted Average		1.1%	0.9%

According to CMHC, October 1997 vacancy rates in the Toronto Census Metropolitan Area ("CMA") decreased from 1.2% to 0.8%, still the second lowest vacancy rate out of 26 major urban centres in Canada as at that date. As at October 1997, only 2,527 units were vacant out of a total supply of 301,900.

As at October 1997, vacancy rates for the Toronto CMA of private apartments built between 1960 and 1974 (the period when most of the Initial Portfolio located in the Toronto CMA was built) enjoyed a vacancy rate of 0.7%, the second lowest vacancy rate of all private apartment buildings when considered by age of structure.

CMHC attributes the October 1997 Toronto CMA vacancy rate decrease to a number of factors, including the effects of strong employment growth and immigration into the Toronto CMA. CMHC also indicates that trends in turnover rates correlate directly with trends in vacancy rates. As units become more scarce, there is less choice, and tenants have less ability to move.

This, combined with the steady flow of immigrants (who typically have low housing demands for several years after their arrival in Canada and are therefore more likely to live in rental apartment units for that period) should, in the Advisor's opinion, result in relatively stable levels of demand for residential rental units. CMHC currently expects the vacancy rate in the Toronto CMA to marginally decline to 0.7% in 1998.

The most significant factor contributing to the low levels of vacancy rates is the lack of supply and in the case of inner urban locations, lack of supply and commuting time. The number of units coming to market has been declining.

Private investment in the non-government assisted rental market has been limited in the 1980's and 1990's, particularly due to high capital costs (land and construction), and market rents that do not provide an adequate return for new buildings. While the assisted sector has provided the bulk of supply over the past few years, in July 1995 the Ontario provincial government cancelled most of the non-profit and co-operative projects which had not yet started. As a result, the number of completions, which had been falling steadily, will be further reduced. The number of condominium apartments unsold or unrented also continues to fall. With a declining supply of condominium rentals on the market, there are few vacancies.

The Advisor believes that these factors, combined with the anticipated relaxation of rent control legislation in the Province of Ontario, which legislation is expected to be proclaimed in force in April 1998, will create a supply-demand legislation balance in the multi-unit residential real estate market beneficial to RESREIT.

RESIDENTIAL TENANCY LEGISLATION

Each of the provinces in which RESREIT intends to own properties has legislation governing the rights of landlords and tenants, including, in the Provinces of Ontario, Alberta and British Columbia, rent control legislation.

In the Province of Ontario, the respective rights of landlords and tenants of residential premises are regulated by various legislation including the *Rent Control Act, 1992* (Ontario), the *Landlord and Tenant Act* (Ontario), the *Rental Housing Protection Act* (Ontario) and the *Residents' Right Act* (Ontario). This legislation regulates the ability of landlords to increase rents within strict guidelines and limits the ability of landlords, among other things, to demolish, renovate, repair or convert rental residential buildings to other uses.

Changes are being implemented through Bill 96, "An Act to Consolidate and Revise the Law with respect to Residential Tenancies" (the "*Tenant Protection Act, 1997*") which received Royal Assent on November 28, 1997 and is expected to be proclaimed in force in April 1998. The *Tenant Protection Act, 1997* (Ontario) will replace much of the current legislation pertaining to tenancies, including Part IV of the *Landlord and Tenant Act* (Ontario), the *Rent Control Act, 1992* (Ontario), the *Residents' Rights Act* (Ontario) and the *Rental Housing Protection Act* (Ontario).

The *Tenant Protection Act, 1997*, when proclaimed in force, will include the following provisions relevant to the business of RESREIT:

- While annual rent guideline increases will continue to be limited to 2.8% for 1997 and 3.0% for 1998, landlords will be able to apply for increases up to a maximum of a further 4% in excess of guideline amounts based on increases in, among other things, certain extraordinary operating costs and for the value of completed capital improvements.
- Once an apartment becomes vacant, the landlord will be able to negotiate for a new rent based on the prevailing market conditions determined without reference to the previous rent level of that apartment. This will enable landlords to achieve market rents since, under the existing legislation, many apartments are "locked in" at rents significantly below market prices.
- Under the existing *Rental Housing Protection Act* (Ontario), a rental residential building containing five or more units could not be converted to any other use except in rare cases. Under the new legislation, landlords will have the right to convert residential rental buildings to another use provided that each displaced tenant is provided with a minimum of 120 days prior written notice and either financial compensation equal to three months' rent or relocation to suitable alternate accommodation. If an apartment building is converted into a condominium, persons who were tenants at the time of such conversion cannot have their tenancies terminated and persons who become tenants after such conversion have, in most circumstances, a right of first refusal to buy their units.
- The resolution of landlord and tenant disputes on a cost efficient and expeditious basis will be facilitated by such disputes being dealt with by a new tribunal to be known as the "Ontario Rental Housing Tribunal", rather than by the courts.

Although the *Tenant Protection Act, 1997* may be beneficial to RESREIT, it may not be proclaimed in force, may be amended prior to its proclamation, or may be subsequently repealed. No provision for rent increases as a result of any proposed changes to applicable legislation has been reflected in the Forecast included in this Prospectus. See "Risk

Factors – Government Regulation’’. Certain of RESREIT’s properties are expected to benefit from the anticipated relaxation of rent controls, in that monthly rents may be increased and the cost of certain capital expenditures, which otherwise would be borne by RESREIT, may be passed through to tenants for reimbursement over time.

Alberta has three statutes which are applicable only to residential tenancies: *Residential Tenancies Act* (Alberta); *The Civil Enforcement Act* (Alberta); and *Mobile Home Site Tenancies Act* (Alberta). This legislation restricts the amount a landlord may require as a security deposit to an amount equal to one month’s rent. Security deposits must be held in an interest-bearing trust account and must be deposited within two banking days of receipt by the landlord. The Acts also prescribe the interest payable on deposits. However, unlike Ontario where the rent control scheme restricts rent increases, in Alberta the only statutory restrictions on a landlord’s ability to collect rent increases relate to notice requirements. The statutes permit a tenant who has paid rent increases made without timely service of written notice to commence an action in a court to recover the excess rent.

British Columbia has two statutes which are applicable only to residential tenancies: *Residential Tenancy Act* (British Columbia); and *Manufactured Home Act* (British Columbia). The *Residential Tenancy Act* (British Columbia) does not apply to certain premises including units leased pursuant to tenancy agreements for terms exceeding twenty years. The amount of money a landlord is permitted to require as a security deposit is limited to one-half of one month’s rent and the landlord must pay the prescribed rate of interest. Unlike Ontario where the rent control scheme prescribes a percentage by which rent may increase annually, British Columbia legislation simply prohibits rent increases designed to cause tenants to vacate their apartments.

Under the *Residential Tenancy Act* (British Columbia), tenants may dispute rent increases. Landlords must give three months’ written notice of rent increases and rent increases are ineffective if disputed by a tenant within 30 days of receipt of notice of increase. Landlords must provide tenants disputing rent increases with a statement, using a prescribed formula, showing income, changes in related operating expenses, net income and capital expenditures related to the property and attributable to the premises for the 12 month period preceding the month in which notice was delivered. Arbitrators adjust and combine the landlord’s calculations and statements in the prescribed manner and award the justifiable rent increase, if any, order a phase-in increase, or make a conditional order granting the increase. Arbitrators may refuse or postpone an increase if the landlord’s statement justifying the proposed increase was false or misleading. In addition, the legislation also prohibits landlords from collecting rent increases more than once in any 12 month period. The *Residential Tenancy Act* (British Columbia) also prohibits hidden rent increases which are defined as the collection of increased rent by charging for a service formerly provided at no extra cost or reduction/removal of a service or facility required to be provided.

FINANCIAL FORECAST

The following Forecast Statement of Income and Distributable Income (the "Forecast") was prepared by the Advisor, using assumptions with an effective date of January 23, 1998, and was approved by the Trustees on January 28, 1998. Pursuant to applicable securities policies, RESREIT 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 RESREIT 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 the Advisor's intended course of action for the periods covered, given the Advisor's judgment as to the most probable set of economic conditions. The Forecast has been prepared after giving effect to the Offering of Units to be issued by RESREIT at Closing and the acquisition by RESREIT of interests in the Properties and the other uses of the net proceeds from the Offering described under the heading "Use of Proceeds" as if the Offering had closed and the Properties had been acquired or leased, as the case may be, by RESREIT on December 31, 1997. The Forecast does not reflect the anticipated changes in applicable rent control legislation in the Province of Ontario pursuant to the *Tenant Protection Act, 1997* which has received Royal Assent and is expected to be proclaimed in force in April 1998.

The reader is cautioned that some of the assumptions used in the preparation of the Forecast, although considered reasonable by RESREIT 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.

Auditors' Report

To the Trustees of
Residential Equities Real Estate Investment Trust

The accompanying financial forecast of Residential Equities Real Estate Investment Trust consisting of the statement of income and distributable income for each of the three month periods ending March 31, 1998, June 30, 1998, September 30, 1998 and December 31, 1998 and the twelve month period ending December 31, 1998 has been prepared by the Advisor using assumptions with an effective date of January 23, 1998. We have examined the support provided by the Advisor 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 the Advisor are suitably supported and consistent with the plans of RESREIT, 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 this information presented and the variations may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

North York, Ontario
January 28, 1998

(Signed) Coopers & Lybrand
Chartered Accountants

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST
FORECAST STATEMENT OF INCOME AND DISTRIBUTABLE INCOME
(in \$ thousands, except per Unit amounts)

	Three months ending				Year ending
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	December 31, 1998
Operating revenues					
Revenues from income properties	16,712	16,690	16,803	17,050	67,255
Operating expenses					
Realty taxes	2,959	2,959	2,959	2,959	11,836
Property operating costs	5,571	5,256	5,126	5,281	21,234
Mortgage interest	3,052	3,035	3,019	3,005	12,111
Property management fees	585	584	587	596	2,352
Total expenses	<u>12,167</u>	<u>11,834</u>	<u>11,691</u>	<u>11,841</u>	<u>47,533</u>
Income before the undernoted items	4,545	4,856	5,112	5,209	19,722
Depreciation	462	462	462	462	1,848
Amortization of prepaid rents	909	909	909	909	3,636
Total depreciation and amortization of prepaid rents	<u>1,371</u>	<u>1,371</u>	<u>1,371</u>	<u>1,371</u>	<u>5,484</u>
Income from properties	<u>3,174</u>	<u>3,485</u>	<u>3,741</u>	<u>3,838</u>	<u>14,238</u>
Trust expenses					
Advisor fees	533	533	533	533	2,132
Legal, audit and compliance costs	55	55	55	55	220
Trustee fees	30	31	32	32	125
General and administrative	47	47	51	56	201
Total trust expenses	<u>665</u>	<u>666</u>	<u>671</u>	<u>676</u>	<u>2,678</u>
Net income before other interest	<u>2,509</u>	<u>2,819</u>	<u>3,070</u>	<u>3,162</u>	<u>11,560</u>
Other interest					
Instalment Loan interest expense	738	748	768	811	3,065
Instalment Receipt interest income	(837)	(837)	(837)	(837)	(3,348)
Interest income	(4)	(2)	—	—	(6)
Total other interest	<u>(103)</u>	<u>(91)</u>	<u>(69)</u>	<u>(26)</u>	<u>(289)</u>
Net income	<u>2,612</u>	<u>2,910</u>	<u>3,139</u>	<u>3,188</u>	<u>11,849</u>
Add (Deduct):					
Depreciation	462	462	462	462	1,848
Amortization of prepaid rents	909	909	909	909	3,636
Instalment receipt interest income	(837)	(837)	(837)	(837)	(3,348)
Distributable Income	<u>3,146</u>	<u>3,444</u>	<u>3,673</u>	<u>3,722</u>	<u>13,985</u>
Distributable Income per Instalment					
Receipt and LT/Greenwin Unit	<u>0.16</u>	<u>0.17</u>	<u>0.19</u>	<u>0.19</u>	<u>0.71</u>
Estimated monthly distributions per					
Instalment Receipt and LT/Greenwin					
Unit	n/a	n/a	n/a	n/a	0.06
Distributable Income per Unit on a fully					
paid basis	n/a	n/a	n/a	n/a	0.88

The accompanying notes form an integral part of this financial forecast.

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

Notes to Financial Forecast

(in thousands)

1. Purpose and basis of presentation:

This forecast statement of income and distributable income (the "Forecast") has been prepared by the Advisor to RESREIT for prospective investors to use in the evaluation of potential investments in RESREIT and may not be appropriate for any other purpose.

The Forecast for RESREIT for the twelve month period from January 1, 1998 to December 31, 1998 was prepared by the Advisor using assumptions based on circumstances at January 23, 1998, the date of the Forecast, that reflect the planned course of action of RESREIT for the Forecast period given the Advisor's judgement as to the most probable set of economic conditions.

The Forecast will be compared with the reported results for the Forecast periods and any significant differences will be disclosed in RESREIT's annual report or quarterly interim reports as appropriate. The actual results achieved during the Forecast period will vary from the Forecast results and variations may be material.

The Forecast assumes the closing of the acquisition or leasing, as the case may be, of the Properties on December 31, 1997 from the proceeds of the Offering as disclosed in note 3(a). As it is intended that the closing of the acquisition or leasing, as the case may be, of the Properties will occur in February 1998, the forecasted net income and distributable cash will be apportioned on a pro rata basis to reflect the actual period of ownership or leasing of the Properties by RESREIT. Any delays in closing beyond March 1998 may be material to the Forecast.

2. Summary of significant accounting policies:

The Forecast has been prepared in accordance with generally accepted accounting principles and reflects the following policies:

(a) Recognition of revenues and expenses

All revenues, including revenues from income properties, and all expenses are recorded on the accrual basis.

(b) Income taxes

RESREIT intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income tax under Part I of the *Income Tax Act* (Canada).

(c) Income properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount. Cost of the Properties includes all amounts relating to the acquisition and improvement of the Properties.

Depreciation on buildings is recorded based on a 5% sinking fund basis to fully amortize the cost of buildings over 40 years. Major capital expenditures are depreciated over their estimated useful lives ranging from 5 to 40 years.

(d) Prepaid rents

Prepaid rents paid on the acquisition of leasehold interests are deferred and amortized on a straight-line basis over the thirty-five year term of the leases.

(e) Deferred financing costs

Financing costs are deferred and amortized on a straight-line basis over the terms of the related financing.

3. Significant assumptions:

The Forecast is based on the following significant assumptions:

(a) Use of proceeds of the Offering

The Forecast has been prepared on the basis that RESREIT issues Units pursuant to a public offering for net cash of \$175,856, including \$49,000 to be drawn down under the Instalment Loan (after deducting the discount to the Instalment Receipts described in note (k)). Of this amount, approximately \$173,306 will be used to satisfy the cash payable on the acquisition or leasing, as the case may be, of Properties, (\$241, will be used to pay the Instalment Loan commitment fee), and \$2,550 will be used for future acquisitions of freehold and leasehold interests in real properties, including any prepaid rent in connection therewith, working capital, mortgage principal repayments, mortgage buy-down costs and capital improvements. The Forecast does not consider the impact of any options exercised during the Forecast period.

(b) Revenues from income properties

Revenues from income properties include rents earned from tenants under lease agreements, parking revenue and miscellaneous income. Rents earned are forecast for each specific Property initially based upon existing occupancy levels and rent charges.

The Advisor has assumed residential rents will increase on average on the first anniversary date of each tenant's lease by 3.0% in calendar 1998.

Vacancies and bad debts are forecast on each Property as a percentage of gross rental income based on the historical experience of the Property and expected demand for rental units during the Forecast period. The average vacancies and bad debts during the Forecast period as a percentage of gross rental income is 2.0%

(c) Realty taxes

Realty taxes are forecast to increase, on average above the 1997 calendar amounts, by 2.5% in calendar 1998.

(d) Property operating costs

Operating costs include GST payable on property management fees and advisor fees. Operating costs are forecast by considering actual expenses incurred for each Property and estimating expected expenditures based on past history, taking into account the forecast capital improvements. Utilities are forecast to increase, on average, above the calendar 1997 amount by 3.0% in calendar 1998.

(e) Mortgage interest

Mortgages, for the most part, will be arranged on the Closing at interest rates with a weighted average rate of 6.53%, ranging from 5.32% to 7.53%. These mortgages will be for terms ranging from six months to ten years with a five year weighted average maturity. Mortgages maturing during the Forecast period are assumed to be refinanced at the same interest rates and on the same terms and conditions.

(f) Property management fees

Property management fees are based on the terms of the Property Management Agreement between RESREIT and the Property Manager, calculated as 3.5% of the revenues of the income properties.

(g) Interest income

It is assumed that cash balances will be invested in treasury bills or similar short-term securities at an annual rate assumed to be 3.0% during the Forecast period.

(h) Advisor fees

Upon Closing, the fees payable to the Advisor pursuant to the Advisory Agreement will be as follows:

- (i) The Advisor will be paid an annual advisory fee equal to 0.65% of Adjusted Book Value up to \$150 million and 0.50% of Adjusted Book Value in excess of \$150 million.
- (ii) The Advisor will also be entitled to earn an Incentive Fee, which is assumed to be nil in the Forecast period.
- (iii) An investment fee of 0.95% of the total cost of investment by RESREIT in any real property, including prepaid rent, excluding the Properties, assumed to be nil in the Forecast period.
- (iv) A disposition fee of 0.25% of the total sale price of real property received by RESREIT upon disposition, assumed to be nil in the Forecast period.

(i) Capital improvements

The total capital improvements expenditures forecast to be capitalized to income properties during the Forecast period are \$4,400.

It is assumed that all of the capital improvements will be funded from the drawdown of the working capital available on Closing.

(j) Sales and acquisitions of income properties

The Forecast does not reflect any potential sales or acquisitions of income properties other than the Properties acquired on Closing. However, it is possible that RESREIT will make purchases and sales of income properties during the Forecast period which will only be undertaken on a basis considered to be advantageous to RESREIT.

(k) Instalment Receipt interest income and Instalment Loan interest expense

It is assumed that 60% of the issue price of the Units will be paid in cash at Closing and 40% will be receivable after one year, without interest. Accordingly, the Instalment Receipts receivable is assumed to be discounted using one year Bankers Acceptances plus 100 basis points (6.03% as at January 23, 1998) discount rate, the rate on the Instalment Loan, and the imputed interest related thereto is assumed to be included in net income during the period the receivable is expected to be outstanding. It is further assumed that RESREIT will obtain a non-revolving one-year loan for a maximum of \$69,000 at one year Bankers Acceptances plus 100 basis points (6.03% as at January 23, 1998) and secured by RESREIT's entitlements under the pledges of the Units sold by RESREIT pursuant to the Offering. For the Forecast, it is assumed that both the Instalment Receipt receivable and the Instalment Loan are outstanding for the Forecast period.

(l) Other matters

No significant changes in economic conditions and government legislation with respect to capital taxes, large corporation taxes, property taxes, goods and services taxes and provincial retail sales taxes and rent control legislation, other than announced changes, are anticipated during the Forecast period.

4. Distributable Income per Instalment Receipt and LT/Greenwin Unit:

The forecast distributable income per Instalment Receipt and LT/Greenwin Unit during the Forecast period after the Closing is based on the weighted average number of Units outstanding after the Offering.

MANAGEMENT OF RESREIT

General

The investment policies and operations of RESREIT will be subject to the control and direction of the Trustees, a majority of whom must be Independent Trustees. The Advisor will manage the day-to-day operations of RESREIT pursuant to an Advisory Agreement for an initial term of five years. See “Management of RESREIT – The Advisor”. Pursuant to the Property Management Agreement, the Property Manager will manage the Properties, or supervise third party property managers where the Advisor believes it is in the best interest of RESREIT to retain property managers other than the Property Manager with respect to certain of the Properties, for an initial term of five years. See “Management of the Properties”.

Trustees

The Declaration of Trust provides that the assets and operations of RESREIT will be subject to the control and authority of a minimum of seven and a maximum of 11 Trustees. Initially, there will be nine Trustees. The number of Trustees within such minimum and maximum numbers may be changed by the Unitholders or, if authorized by the Unitholders, by the Trustees, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders. The Advisor will, during the term of the Advisory Agreement, including any renewal thereof, be entitled to appoint two Trustees. Trustees appointed by the Advisor shall be deemed to be Non-Independent Trustees. GPMI and LTMI will together be entitled to appoint two Trustees for the first five years after Closing, so long as such appointees are Abraham Green and Albert Latner. At any other time, GPMI and LTMI will together be entitled to appoint one Trustee so long as they own or control, in the aggregate, at least 10% of the outstanding Units, and two Trustees so long as they own or control, in the aggregate, at least 20% of the outstanding Units. Trustees appointed by GPMI and LTMI shall be deemed not to be Independent Trustees so long as either of them control the Advisor. Notwithstanding the foregoing rights of the Advisor, GPMI and LTMI to appoint Trustees, a majority of the Trustees must at all time be Independent Trustees. The balance of the Trustees are to be elected annually by resolution passed by a majority of the votes cast at a meeting of the Unitholders. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees or by the Unitholders at a meeting of the Unitholders, except in the case of a Trustee appointed by the Advisor, who shall be replaced by a successor appointed by the Advisor so long as its entitlement to appoint continues. A Trustee elected or appointed to fill a vacancy shall hold office for the remaining term of the Trustee he or she is succeeding.

The Declaration of Trust provides for the appointment by the Trustees of an Audit Committee and a Compensation and Governance Committee, all the members of each of which must be Independent Trustees, and for the appointment of an Investment Committee, a majority of the members of which must be Independent Trustees and must have had at least five years of substantial experience in the real estate industry. The approval of the Investment Committee will be required prior to RESREIT making any acquisition or disposition of real property and for the assumption or granting of any mortgage, but not for the renewal of any existing mortgage.

The Declaration of Trust contains additional provisions to the following effect with respect to Trustees:

- the Chairman of RESREIT shall be an Independent Trustee.
- 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 Trustees.
- in the event that the Advisor has lost its entitlement to appoint Trustees, such Trustees previously appointed by it shall resign in favour of Trustees to be appointed by the successor advisor to RESREIT.
- in the event GPMI and LTMI have lost their entitlement to appoint a Trustee, such Trustee previously appointed by them may be removed at any time by two-thirds of the Independent Trustees and in any event will be deemed to have resigned immediately before the next ensuing annual meeting of Unitholders.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. Accordingly, each Trustee is

required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of RESREIT and the Unitholders and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on RESREIT. Given that the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to RESREIT any interest in a material contract or transaction or proposed material contract or transaction with RESREIT (including a contract or transaction involving the making or disposition of any investment in real 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 RESREIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is 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, a Trustee is required to disclose in writing to RESREIT or request to have entered into the minutes of meetings of Trustees or the Investment Committee 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 or her remuneration as a Trustee, officer, employee or agent of RESREIT or one for indemnity under the provisions of the Declaration of Trust or liability insurance. The foregoing provisions do not apply in respect of the approval of the Material Contracts.

Independent Trustee Matters

The following matters require the approval of at least a majority of the Independent Trustees to become effective:

- a material change to the Advisory Agreement or non-renewal thereof or an increase in the fees payable to the Advisor;
- a material change to the Property Management Agreement or non-renewal thereof or an increase in the fees payable to the Property Manager;
- the grant of options under the Unit Option Plan (see “Unit Option Plan”);
- the entering into of any agreement or arrangement in which a Related Party has a material interest;
- any decision relating to a claim by or against a Related Party or relating to a claim in which the interests of a Related Party differ from the interests of RESREIT;
- the enforcement of any agreement entered into by RESREIT with a Related Party;
- the entering into of any joint venture arrangement;
- the demolition of all or substantially all of a property invested in by RESREIT;
- investing in debt instruments;
- an increase in the number of Trustees by no more than one-third and the appointment of Trustees to fill the vacancies so created; and
- a recommendation to Unitholders that the number of Trustees be increased, where a vote of Unitholders thereon is required, and to nominate individuals as Trustees to fill the vacancies so created.

The Material Contracts do not require approval by a majority of the Independent Trustees.

Trustees and Officers

The name and municipality of residence, office held with RESREIT and principal occupation on Closing of each person who will be a Trustee and officer of RESREIT are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
ROBERT D. BROWN ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ . Toronto, Ontario	Trustee	Director, Consultant and Chair of the C.D. Howe Foundation (a non-profit foundation devoted to economic research)
JOHN H. DANIELS ⁽¹⁾⁽⁴⁾⁽⁶⁾	Trustee	Chairman and Chief Executive Officer of The Daniels Group of Companies (a number of related real estate development companies)
WANDA M. DOROSZ ⁽¹⁾⁽⁵⁾	Trustee	President, Chief Executive Officer and Managing Partner of The Quorum Group of Companies (an expansion capital investment company)
ABRAHAM J. GREEN ⁽³⁾	Trustee	President of GPMI
EDWIN F. HAWKEN ⁽¹⁾⁽⁵⁾⁽⁶⁾	Trustee	President, Chief Executive Officer and Director of Commcorp Financial Services Inc. (a financial services company)
MAURICE KAGAN	Chief Financial Officer	Chief Financial Officer of RESREIT and of the general partner of the Advisor
ALBERT J. LATNER ⁽³⁾⁽⁶⁾	Trustee	Chairman of GPMI and Chairman of The Dynacare Health Group Limited
GRAHAM S. RENNIE ⁽¹⁾⁽⁴⁾⁽⁶⁾	Trustee	President and Managing Partner of Integra Capital Management Corporation (an investment management company)
JOHN M. SCOTT ⁽²⁾⁽⁶⁾	Trustee, President, Chief Executive Officer and Secretary	Trustee, President, Chief Executive Officer and Secretary of RESREIT and of the general partner of the Advisor
KLAUS VOGEL ⁽²⁾⁽⁶⁾	Trustee	Chairman of The Lehndorff Tandem Group

Notes:

- (1) Independent Trustee
- (2) Appointed by the Advisor
- (3) Appointed by GPMI and LTMI
- (4) Member of the Audit Committee
- (5) Member of the Compensation and Governance Committee
- (6) Member of the Investment Committee
- (7) Chairman

The nature and extent of the experience of the persons who will on Closing be Trustees and officers of RESREIT in the real estate industry and their principal occupations during the last five years are as follows:

Robert D. Brown FCA is currently Chair of the C.D. Howe Foundation, a director of the Institute of Corporate Directors and a trustee of Legacy Real Estate Investment Trust. He is the former Chair of the Canadian Institute of Chartered Accountants and the former Chair of Price Waterhouse. He is also a past Chair of the Canadian Tax Foundation, and has served as a consultant to Canadian governments and major corporations and as a member of The Toronto Stock Exchange Committee on Corporate Governance.

John H. Daniels was a founder of the Cadillac Development Corporation, the predecessor to the Cadillac Fairview Corporation, and served as Chairman and Chief Executive Officer of the Cadillac Fairview Corporation until 1982. Mr. Daniels is a director of Cineplex-Odeon Corporation, Consolidated H.C.I. Corporation, Samoth Capital Corporation, Anitech Enterprises Inc. and Patriot American Hospitality Corporations (a U.S. REIT).

Wanda M. Dorosz has had the principal occupation noted above for the preceding five years. She is a director of numerous corporations in the public, private and not for profit sectors including Positron Fibre Systems Inc., Tecsys Systems Inc., Promis Systems Inc., Newstar Technologies Inc., Investors Group, University of Toronto's Business Board and Toronto Stock Exchange Investors and Issuers Advisory Committee.

Abraham J. Green is one of the three founders of The Greenwin Group. Since 1950, Mr. Green has maintained an active involvement in all facets of the business, with a concentration on the planning, development and building design areas of the business. Over the past several years, Mr. Green has also been involved in GPMI, primarily in the direction of strategic planning and policy.

Edwin F. Hawken has held his present position since November 1991. Prior to that, he held senior positions at CIBC Leasing Limited and Commerce Leasing Limited. Mr. Hawken is a director of OE Financial Services Inc., Commcorp International Limited and CIBC Equipment Finance Limited.

Maurice Kagan has been exclusively involved in the financing, development and sale of residential real estate since 1988 within The Greenwin Group. Mr. Kagan completed his Bachelor of Commerce and qualified as a chartered accountant with Peat Marwick in South Africa in 1982. He is currently Chief Financial Officer of GPMI, one of the largest apartment managers in Canada and is Chief Financial Officer of Shiplake Management Company.

Albert J. Latner is one of the three founders of The Greenwin Group. As chairman of GPMI, he continues to be active in all facets of the real estate development and management business. Since 1950, Mr. Latner has been responsible for the business development, strategic planning and financial growth of The Greenwin Group. Mr. Latner is also the chairman of Shiplake Management Company, a real estate investment holding company. Mr. Latner serves as Chairman of The Dynacare Health Group Inc., one of North America's largest diagnostic laboratory companies.

Graham S. Rennie has held the position of President and Managing Partner of Integra Capital Management Corporation, a company he founded in 1987. Mr. Rennie has also held positions with Trafalgar Capital Management, Dixon Krogseth Investment Counsel, Manuvest and Prudential Assurance.

John M. Scott was the Chief Operating Officer and counsel for The Lehndorff Tandem Group from April, 1996 until October, 1997. Mr. Scott was responsible for all management activities and real estate pooled fund operations of The Lehndorff Tandem Group (including Lehndorff Consolidated Canadian Properties, having an estimated market value of \$300 million), as well as performing general counsel duties. Mr. Scott was the Executive Vice-President and counsel for The Lehndorff Group from June 1995 until April 1996 where he was also responsible for all management activities and real estate pooled fund operations, including Lehndorff Consolidated Canadian Properties as well as performing general counsel duties. Mr. Scott joined The Lehndorff Group in February 1994 as Senior Vice-President and counsel, primarily performing general counsel duties. Mr. Scott was a partner in the law firm Blaney McMurtry Stapells (now Blaney McMurtry Stapells Friedman) specializing in real estate and banking law.

Klaus Vogel was co-founder and President of The Tandem Group of Companies, a group of management and ownership entities providing a range of real estate services primarily for non-residents from 1982 until April 1996. Since April 1996, Mr. Vogel has been Chairman of The Lehndorff Tandem Group, a group of management and ownership entities.

Audit Committee

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three Trustees, to review the financial statements of RESREIT and payments to the Advisor pursuant to the Advisory Agreement and will report to the Trustees regarding these and other financial matters. All of the members of the Audit Committee must be Independent Trustees.

Compensation and Governance Committee

The Declaration of Trust requires the creation of a Compensation and Governance Committee, consisting of at least three Trustees, to review the Advisor's compensation and the governance of RESREIT. All of the members of the Compensation and Governance Committee must be Independent Trustees.

Investment Committee

The Declaration of Trust provides that the Trustees may from time to time appoint from among their number an Investment Committee consisting of at least five Trustees. A majority of the members of the Investment Committee must have had at least five years of substantial experience in the real estate industry. In addition, a majority of the members of the Investment Committee must be Independent Trustees.

The Investment Committee will review all proposals regarding investments and will approve or reject proposed acquisitions or dispositions of investments by RESREIT in the manner and to the extent authorized by the Trustees. The Investment Committee may also be delegated the power to authorize proposed transactions on behalf of RESREIT and to approve all borrowings and the assumption or granting of any mortgage or other security interest in real property (other than renewals of existing mortgages or security interests, which do not require approval of the Investment Committee or the Trustees).

Remuneration of Trustees and Officers

A person who is employed by and receives salary from RESREIT, the Advisor, the Property Manager, the General Partner or the general partner of the Property Manager or who has been appointed as a Trustee by the Advisor will not receive any remuneration from RESREIT for serving as a Trustee. Trustees (other than the Chairman) who are not so employed or appointed will receive remuneration from RESREIT in the amount of \$20,000 per year and the Chairman shall receive \$25,000 per year, plus, in each case, \$500 per meeting (\$250 if by teleconference) of the Trustees or of a committee of the Trustees attended. All Trustees will be reimbursed for out-of-pocket expenses incurred in acting as a Trustee. Remuneration of officers of RESREIT shall be determined by the Trustees, provided that no remuneration shall be paid to any person for acting as an officer of RESREIT if such person is a director or employee of the Advisor, the General Partner, the Property Manager or the general partner of the Property Manager. The Trustees and officers of RESREIT are entitled to participate in the Unit Option Plan described under the heading “Unit Option Plan”.

Unit Option Plan

Prior to the completion of the Offering, subject to regulatory approval, RESREIT will adopt a Unit option plan (the “Unit Option Plan”). Participation in the Unit Option Plan will be restricted to (i) Trustees and officers of RESREIT and its subsidiaries, (ii) directors, officers and employees of the Advisor or the General Partner, (iii) directors, officers or employees of the Property Manager or the general partner of the Property Manager, (iv) persons or companies engaged to provide ongoing management or consulting services for RESREIT or the Property Manager, and (v) personal holding companies or family trusts of any persons referred to in (i), (ii), (iii) and (iv), all as selected by the Compensation and Governance Committee or the Trustees. Options will have maximum terms of five years. The options will be exercisable at a price not less than the market value (as defined in the TSE’s policy on share compensation arrangements) of the Units at the time of grant. The maximum number of Units initially reserved for issuance pursuant to the Unit Option Plan will be equal to 10% of the outstanding Units.

It is proposed that prior to Closing, subject to any required regulatory approval, options in respect of 40,000 Units will be issued to each of the Independent Trustees (other than the Chairman), options in respect of 50,000 Units will be issued to the Chairman and options in respect of an aggregate of 1,390,000 Units will be issued to the directors, officers and employees of the General Partner and the general partner of the Property Manager under the Unit Option Plan, each at an exercise price equal to the offering price under this Prospectus.

Distribution Reinvestment Plan

On or shortly after the first anniversary of the Closing, subject to regulatory approval, RESREIT intends to adopt a distribution reinvestment plan (the “Distribution Reinvestment Plan”), pursuant to which Unitholders will be entitled to elect to have all cash distributions of RESREIT 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 TSE for the five trading days immediately preceding the relevant Distribution Date, and containing such other terms and conditions as the Trustees may consider advisable. 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 RESREIT. Proceeds received by RESREIT upon the issuance of additional Units under the Distribution Reinvestment Plan will be used by RESREIT for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada will not be entitled to participate in the Distribution Reinvestment Plan. Upon ceasing to be a resident of Canada, a Unitholder will be required to terminate his or her participation in the Distribution Reinvestment Plan.

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 RESREIT has been a reporting issuer for at least 12 months. RESREIT intends to 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 Advisor

The Advisor is a special purpose limited partnership formed under the laws of the Province of Ontario of which the General Partner is the general partner responsible for and restricted to transacting all business on behalf of the partnership. The Advisor and the General Partner are owned as to 50% by LTMI and 50% by GPMI. The Advisor and the General Partner have been formed solely for the purpose of managing the day-to-day operations of RESREIT. The Advisor will manage the day-to-day operations of RESREIT pursuant to the Advisory Agreement for an initial term of five years. The Advisory Agreement will be renewed automatically for further five-year terms unless terminated as at the end of the initial term or at the end of any renewal term upon the approval of two-thirds of the votes cast by the Independent Trustees at a meeting of the Trustees called for such purpose, provided that if so approved, to be effective such decision must be confirmed by two-thirds of the votes cast by Unitholders at a meeting called for such purpose at which holders of at least 20% of the outstanding Units are represented. The Advisory Agreement may be terminated by RESREIT at any time for cause, and otherwise, at any time after the first three years upon payment by RESREIT to the Advisor in one lump sum of an amount equal to the fair market value of the Advisory Agreement if such termination is approved by two-thirds of the Independent Trustees at a meeting of Trustees called for that purpose and confirmed by two-thirds of the votes cast by the Unitholders at a meeting of the Unitholders called for that purpose. The Advisory Agreement may also be terminated by RESREIT in the event of a material default by the Advisor thereunder, or a breach by any Person (other than RESREIT) of any material term of any Non-Competition Agreement executed by it or a breach of any material term of either of the Strategic Alliance and Non-Competition Agreements by any of Lehndorff Tandem or Greenwin, in any case which is not cured within 30 days of written notice of such breach. The Advisory Agreement may be terminated by the Advisor on 120 days prior notice to RESREIT.

All of the directors and officers of the General Partner have been involved in a broad range of real estate activities over the past five years. The name and municipality of residence, office held with the General Partner and principal occupation of each director and officer of the General Partner on Closing are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
JOHN M. SCOTT Toronto, Ontario	President, Chief Executive Officer and Director	Trustee, President, Chief Executive Officer and Secretary of the General Partner and RESREIT
ALBERT LATNER Toronto, Ontario	Director	Chairman, GPMI
KLAUS VOGEL Toronto, Ontario	Director	Chairman, The Lehndorff Tandem Group
ABRAHAM J. GREEN Toronto, Ontario	Director	President, GPMI
MAURICE KAGAN North York, Ontario	Chief Financial Officer	Chief Financial Officer of the General Partner and RESREIT
LARRY POPOFSKY Toronto, Ontario	Vice-President, Property Management	Chief Executive Officer, GPMI
VAN FORBELL Toronto, Ontario	Vice-President, Acquisitions	Vice-President, Acquisitions of the General Partner

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
ANDREW JONES Toronto, Ontario	Vice-President, Finance	Vice-President, Finance of the General Partner
CHERYL HEWSON Toronto, Ontario	Controller	Controller of the General Partner

The following are brief biographies of the directors and officers of the General Partner, including the nature and extent of their experience in the real estate industry and their principal occupations during the last five years.

Larry Popofsky has been the Chief Executive Officer of GPMI, one of the largest residential property managers in Canada, since 1996. Since joining The Greenwin Group in 1988, he has served in various senior management positions. Mr. Popofsky possesses substantial real estate management experience and is responsible for directing Greenwin Property Management Inc. with the objective of providing maximum profit and return on invested capital.

Van Forbell was President of LTMI from 1996 until October 1997. In this capacity, Mr. Forbell is responsible for all of the Canadian property management operations of The Lehdorff Tandem Group, and also served as President of Lehdorff Tandem Properties Inc., the acquisition arm of The Lehdorff Tandem Group. Prior to that, Mr. Forbell was employed in senior positions at The Tandem Group of Companies, including Vice-President, Acquisitions and, from 1993-1996, President.

Andrew Jones was Director, Project Finance of The Lehdorff Tandem Group during the period January-October 1997. Prior to that he was a Financial Analyst at Trizec Hahn from 1995-1996, Manager, Commercial Development of Bramalea Limited from 1994-1995, an analyst at Enterprise Investment Management Inc. from 1993-1994 and an Investment Analyst at Colliers International Inc. from 1992-1993.

Cheryl Hewson was Controller, Private Clients of LTMI from April 1996 to October 1997. In the period from 1992 to April 1996, Ms. Hewson was Controller of The Tandem Group of Companies, a predecessor of The Lehdorff Tandem Group.

See “Management of RESREIT – Trustees and Officers” for the principal occupations of Messrs. Green, Kagan, Latner, Scott and Vogel in the previous five years.

Advisor’s Duties

Among other duties, the Advisor will be responsible for identifying multi-unit residential property investment opportunities which meet the investment restrictions set out in the Declaration of Trust; providing the Trustees and the Investment Committee with information and advice relating to proposed acquisitions, dispositions and financings; recommending to the Trustees, at least on an annual basis, investment and operating plans for the ensuing period; supervising the due diligence required in connection with proposed acquisitions and supervising the completion of any resulting transactions; maintaining the books and financial records of RESREIT; advising as to designations, elections and determinations to be made in connection with the income and capital gains of RESREIT for tax and accounting purposes; preparing reports and other information required to be sent to Unitholders and other persons, including investment dealers, lenders, and professionals; providing office space and equipment and the necessary clerical and secretarial personnel for the administration of the day-to-day affairs of RESREIT; and administering or supervising the administration on behalf of RESREIT of the payment of Distributable Income and other distributions by RESREIT.

Advisor’s Fees

In consideration for the services to be provided by the Advisor to RESREIT, the Advisor will be entitled to the following fees payable to the Advisor:

- (i) an annual advisory fee, payable monthly, equal to 0.65% of Adjusted Book Value up to \$150 million and 0.50% of the Adjusted Book Value in excess of \$150 million;
- (ii) an incentive fee (the “Incentive Fee”), calculated annually on a non-cumulative basis, estimated and payable monthly, equal to the aggregate of (a) 15% of the amount, if any, by which the Aggregate Net Property Cash Flow, after deduction of the annual advisory fee, generated by RESREIT’s real property portfolio in any year exceeds 10% of the Aggregate Equity, pro rated over a 365-day year, based on the date upon which equity

was invested in each such property by RESREIT during such year, and (b) 15% of the net proceeds generated from the sale of a property in excess of the net sale proceeds required to generate an internal rate of return to RESREIT of 10% per annum calculated from annual Net Property Cash Flow, after deduction of the annual advisory fee, on the average Aggregate Equity invested in that property over the period which it was owned by RESREIT;

- (iii) an investment fee of 0.95% of the total cost of investment by RESREIT in any freehold or leasehold interest in real property, including prepaid rent, or, in the discretion of the Independent Trustees, any mortgage. If the Advisor or any person not at arm's length with the Advisor (within the meaning of the Tax Act) was a vendor or has or had a material interest in a vendor in the relevant transaction, no investment fee will be payable; and
- (iv) a disposition fee, payable on the closing of any disposition of any interest in real property or, in the discretion of the Independent Trustees, any mortgage subsequent to Closing, 0.25% of the total proceeds of disposition received by RESREIT upon the disposition of such real property, unless the Advisor or any person not at arm's length with the Advisor (within the meaning of the Tax Act) was a purchaser or has or had a material interest in a purchaser in the relevant transaction, in which case no disposition fee is payable.

No fees are payable to the Advisor in respect of the acquisition by RESREIT of the Initial Portfolio and the related financings.

Under the terms of the Unit Option Plan, options to purchase Units reserved for issuance under the Unit Option Plan may be granted to directors, officers and employees of the General Partner. Such options will have a maximum term of five years and will be exercisable at a price not less than the market value (as defined in the TSE's policy on share compensation arrangements) of the Units at the time of grant. See "Unit Option Plan".

If and to the extent that the Advisor or any person affiliated with the Advisor renders services to RESREIT in addition to those specifically required to be rendered under the Advisory Agreement, such services will be compensated separately as agreed to by the Independent Trustees on the basis of fees which are at least as favourable to RESREIT as those then generally charged for comparable services and activities.

Under the Advisory Agreement, the Advisor is responsible for employment expenses of its personnel, rent and other office expenses of the Advisor, and expenses of the Trustees and officers of RESREIT who are directors, officers or employees of the Advisor or of an affiliate of the Advisor (except out-of-pocket expenses incurred in attending meetings of the Trustees).

In addition to the fees and expenses to be paid to the Advisor, RESREIT is responsible for all of RESREIT's expenses (other than expenses assumed by the Advisor), including the following:

- (a) interest and other costs of borrowed money of RESREIT;
- (b) fees and expenses of lawyers, accountants, auditors, appraisers, property managers (including the Property Manager) and other agents or consultants employed by or on behalf of RESREIT;
- (c) fees and expenses of the Independent Trustees;
- (d) fees and expenses connected with the acquisition, disposition and ownership of real property interests or mortgage loans or other property of RESREIT;
- (e) insurance for RESREIT and its Trustees, officers and employees, as considered necessary by the Trustees (including liability insurance for the Trustees);
- (f) expenses in connection with payments of distributions on Units of RESREIT;
- (g) expenses in connection with communications to Unitholders and other bookkeeping and clerical work (excluding staff costs) in connection with the operations of RESREIT;
- (h) the cost of any accounting, statistical or bookkeeping computer software and equipment necessary for the maintenance of the books and records of RESREIT;
- (i) expenses of amending the Declaration of Trust or terminating RESREIT;
- (j) fees and charges of transfer agents, registrars, indenture trustees and other trustees and custodians of RESREIT;

- (k) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to the public of Units and other required governmental filings of RESREIT; and
- (l) all costs and expenses in connection with the incorporation, organization and maintenance of corporations formed to hold real property or other property of RESREIT.

Management Strategy

Management's proven skills, coupled with RESREIT's strategic alliances with Greenwin and Lehndorff Tandem, is expected to benefit Unitholders in RESREIT through excellent strengths in sourcing, financing, costing, purchasing, leasing, managing, constructing, renovating, and marketing of rental housing product.

The Advisor intends to maintain and enhance the value of RESREIT's assets by:

- *Industry Proven Operating Practices.* The Advisor, in arranging for the services of the Property Manager, has ensured that RESREIT will enjoy immediate state of the art operating systems and procedures, including cost and expense reduction programs, based upon decades of specific rental housing experience.
- *Continuity of Operating Personnel.* The Property Manager's personnel includes the same operating personnel for the Properties currently employed by GPMI and LTMI, preserving full knowledge of operating and income and expense issues.
- *Sourcing Accretive Acquisitions.* The Advisor, given its long history in the residential industry and by virtue of the Strategic Alliance and Non-Competition Agreements with Greenwin and Lehndorff Tandem, which provides for certain rights of first offer, expects to have significant access to acquisition opportunities.
- *Understanding Legislation.* Each of the Advisor and the Property Manager, particularly in Ontario, have personnel experienced in operating rental properties efficiently and safely. The Advisor and the Property Manager are well equipped to understand and implement the operating and financial changes necessary to capitalize on the anticipated relaxation of rent control legislation in the Province of Ontario, which legislation is expected to be proclaimed in force in April 1998. It is the Advisor's belief that the recent move and any further moves toward free market pricing of rental residential housing stock will require competent and proactive property management to maximize benefits for Unitholders.
- *Senior Management REIT Experience.* Senior management of the Advisor has direct and extensive expertise and experience in the operation and management of, tax efficient pooled fund real estate vehicles, which expertise and experience is directly translatable to the operation and management of a real estate investment trust.
- *Strategic Alliances.* RESREIT will enjoy the benefit of strategic alliance and non-competition arrangements with Greenwin and with Lehndorff Tandem, pursuant to which it is anticipated that RESREIT's increased access to quality rental residential product and management practices will provide Unitholders with increased returns.
- *Sophisticated Portfolio Approach to RESREIT's Properties.* The Advisor will seek to maximize Unitholder value by ensuring that each Property is continually examined in relation to its contribution to the portfolio and that appropriate balances of geographic diversity and asset mix are maintained in relation to regional and demographic trends.
- *Prudent Debt Management.* The Advisor intends to ensure the continuation of the matching of appropriate debt terms in relation to the Advisor's continuing asset management plan for each of the Properties.

The Advisor believes that multi-unit residential rental properties are an attractive investment opportunity where the underlying properties are part of a portfolio enjoying the strengths of strategic locations, planned programs of timely maintenance and repair and first class property management procedures and systems. The Advisor further believes that by specializing in multi-unit residential rental properties, Unitholders will receive the benefits of income source diversification, specific expertise in cost management programs and broad exposure to the marketplace for future acquisitions providing RESREIT with a stable platform for future growth.

Given current market conditions, including low vacancy levels, the absorption of unsold condominiums and overall population demographics, the demand for multi-unit residential rental accommodation is generally strong in most Canadian markets. See "Multi-Unit Residential Real Estate Market".

INVESTMENT RESTRICTIONS AND OPERATING POLICIES

Investment Restrictions

The Declaration of Trust provides for certain restrictions on investments which may be made by RESREIT. The assets of RESREIT may be invested only in accordance with the following restrictions:

- (a) RESREIT shall invest in income-producing multi-unit residential properties (which may include ancillary commercial premises) located in Canada and the United States which are substantially occupied;
- (b) RESREIT shall not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost of investment (net of the amount of debt incurred or assumed in connection with such investment and secured by a mortgage on such real property) will exceed 10% of RESREIT's Adjusted Unitholders' Equity unless a majority of the Trustees approve a greater percentage which shall not exceed 20%;
- (c) notwithstanding anything else contained in the Declaration of Trust, RESREIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund 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 RESREIT being liable under the Tax Act to pay a tax imposed as a result of holdings by RESREIT of foreign property as defined in the Tax Act; that would result in Units being foreign property for the purpose of the Tax Act; or that would, if RESREIT is a registered investment within the meaning of the Tax Act, result in RESREIT paying a tax under the registered investment provisions of the Tax Act for exceeding certain investment limits;
- (d) RESREIT may invest in a joint venture or co-ownership arrangement (a "joint venture arrangement") only if:
 - (i) the joint venture arrangement is one pursuant to which RESREIT holds an interest in multi-unit residential or ancillary commercial property jointly or in common with others ("joint venturers") either directly or through the ownership of securities of a corporation or other entity (a "joint venture entity");
 - (ii) RESREIT's interest in the joint venture arrangement, and the joint venture arrangement's interest in the particular real property or properties, is not subject to any restriction on transfer other than a right of first refusal, if any, in favour of the joint venturers;
 - (iii) RESREIT has a right of first refusal to buy the interests of the other joint venturers;
 - (iv) 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;
 - (v) the joint venture arrangement provides that the liability of RESREIT to third parties is several and not joint and several (and contains an express disavowal of Unitholder liability); provided however, that subject to any remedies that each joint venturer may have against the other joint venturers, a joint venturer 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;
 - (vi) the joint venture arrangement permits, but does not require, RESREIT or its designee to participate fully in the management thereof;
 - (vii) the joint venture arrangement is approved by a majority of the Independent Trustees or, if the number of Independent Trustees is less than three, by all of the Independent Trustees; and
 - (viii) RESREIT receives an opinion from counsel to the effect that RESREIT is not exposed to any additional or unusual liabilities as a result of the joint venture arrangement;
- (e) 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 Offering – Instalment Receipts") or money market instruments of, or guaranteed by, a Canadian bank listed on Schedule I to the *Bank Act*

- (Canada) maturing prior to one year from the date of issue, or debt instruments permitted by paragraphs (i), (j) or (k) below and except as otherwise prohibited in the Declaration of Trust, RESREIT may not hold securities other than securities of a joint venture entity or an entity wholly owned by RESREIT formed and operated solely for the purpose of holding a particular real property or real properties or some or all of the receivables under the Instalment Receipt Agreement, and provided further that, subject to paragraph (c) above, notwithstanding anything contained in the Declaration of Trust to the contrary, RESREIT may acquire securities of other real estate entities;
- (f) RESREIT 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 real property;
- (g) RESREIT shall not invest in operating businesses or other specialty real estate or acquire interests in general partnerships or limited partnerships (such as hotels, nursing homes, unsold condominiums or marketing enterprises); provided, however, that RESREIT may invest in a general partnership or a limited partnership arrangement if:
- (i) the general partnership or the limited partnership, as the case may be, is formed and operating solely for the purpose of holding a particular real property or properties;
 - (ii) RESREIT's interest in the general partnership or the limited partnership, as the case may be, and the general partnership's or the limited partnership's interest in the particular real property or properties, is not subject to any restriction on transfer other than a right of first refusal, if any, in favour of the general partner, any limited partner or any affiliates thereof; and
 - (iii) RESREIT shall have received an opinion from its legal counsel to the effect that the investment would not (a) result in RESREIT or any registered retirement savings plan, registered income fund or deferred profit sharing plan being liable under the Tax Act to pay tax imposed as a result of holdings by RESREIT of foreign property as defined in the Tax Act, (b) disqualify RESREIT as a "mutual fund trust" within the meaning of the Tax Act and (c) result in RESREIT losing any status under the Tax Act that is otherwise beneficial to RESREIT and its Unitholders;
- (h) RESREIT shall not invest in raw land for development except for existing properties with additional development potential or properties adjacent to existing properties of RESREIT for the purpose of (i) the renovation or expansion of existing facilities which will be capital property of RESREIT; or (ii) the development of new facilities which will be capital property of RESREIT;
- (i) RESREIT may invest in mortgages and mortgage bonds (including, with the consent of a majority of the Trustees, participating or convertible mortgages) where:
- (i) the real property which is security therefor is income-producing multi-unit residential or ancillary commercial real property which otherwise meets the investment restrictions set out in the Declaration of Trust;
 - (ii) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2X debt service coverage;
 - (iii) the mortgage is a first mortgage registered on title to the real property which is security therefor; and
 - (iv) the aggregate value of the investments of RESREIT in these mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;
- (j) RESREIT may invest in mortgages if the sole intention is to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property which would otherwise meet the investment restrictions of RESREIT and provided that the aggregate value of the investments of RESREIT in these mortgages and in debt instruments referred to in paragraph (k) below, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;
- (k) RESREIT may invest in debt instruments, participating or otherwise, secured against income producing multi-unit residential or ancillary commercial property, built or to be built, and ranking first in priority against all other security in such collateral; provided that in the event the collateral consists of income producing multi-unit residential or ancillary commercial property to be built, RESREIT's investment in such debt instruments must first be approved by a majority of the Independent Trustees, or if the number of

Independent Trustees is less than three, by all of the Independent Trustees and provided further that the aggregate value of the investments of RESREIT in these debt instruments and in mortgages referred to in paragraph (j) above will not exceed 20% of Adjusted Unitholders' Equity; and

- (l) RESREIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by RESREIT and secured by a mortgage on such property) up to 15% of the Adjusted Unitholders' Equity of RESREIT in investments or transactions which do not comply with foregoing paragraphs (a), (e) and (h) or paragraphs (c) or (l) set out under the heading "Operating Policies" and which are not otherwise prohibited by the Investment Restrictions or the Operating Policies.

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement. Nothing in the investment restrictions of RESREIT prohibits RESREIT from holding some or all of the receivables due pursuant to the Instalment Receipt Agreement.

Operating Policies

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

- (a) RESREIT 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;
- (b) (i) any written instrument creating an obligation which is or includes the granting by RESREIT of a mortgage, and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary 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 RESREIT, but that only property of RESREIT or a specific portion thereof shall be bound; RESREIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by RESREIT upon the acquisition or leasing of real property;
- (c) except for renovation or expansion of existing facilities and the development of new facilities on property adjacent to existing properties of RESREIT as permitted under paragraph (h) under the heading "Investment Restrictions", RESREIT shall not engage in construction or development of real property except as necessary to maintain its real properties in good repair or to enhance the income producing ability of capital properties in which RESREIT has an interest;
- (d) fee or leasehold title, as the case may be, to each real property shall be held by and registered in the name of RESREIT, the Trustees or a corporation or other entity wholly-owned by RESREIT or jointly-owned by RESREIT with joint venturers;
- (e) RESREIT shall not incur or assume any indebtedness (which term by definition in the Declaration of Trust excludes indebtedness under any debt instrument convertible into Units of RESREIT) under a mortgage on any real property of RESREIT 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 real property and (ii) the amount of additional indebtedness proposed to be assumed or incurred does not exceed 75% of the market value of such real property;
- (f) RESREIT shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of RESREIT (excluding the Instalment Loan or any subsequent loan obtained in connection with the issuance of securities of RESREIT on an instalment basis) would be more than 60% of the Gross Book Value, and the total amount of indebtedness (excluding the Instalment Loan or any subsequent loan obtained in connection with the issuance of securities of RESREIT on an instalment

basis) and the amount then advanced under the Acquisition and Operating Facility would be more than 70% of the Gross Book Value unless a majority of the Trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of RESREIT;

- (g) RESREIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness assumed or incurred under a mortgage by a corporation or other entity wholly-owned by RESREIT or jointly-owned by RESREIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such mortgage, if granted by RESREIT directly, would not cause RESREIT to otherwise contravene the restrictions set out under the heading “Investment Restrictions and Operating Policies”, and, where such 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 RESREIT is limited strictly to the proportion of the mortgage loan equal to RESREIT’s proportionate ownership interest in the joint venture entity;
- (h) RESREIT shall obtain an independent appraisal of each property in which it intends to invest;
- (i) RESREIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of RESREIT and the accidental loss of value of the assets of RESREIT 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;
- (j) RESREIT shall have conducted a Phase I environmental audit of each real property to be acquired by it and, if the Phase I environmental audit report indicates that further environmental audits be conducted, RESREIT shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audits as a condition to any acquisition, shall be satisfactory to the Trustees;
- (k) at no time shall indebtedness aggregating more than 10% of Gross Book Value (other than the Instalment Loan, any subsequent loan obtained in connection with the issuance of securities of RESREIT on an instalment basis, trade payables, accrued expenses and distributions payable) be at floating interest rates or have maturities of less than one year, not including debt falling due in the next 12 months;
- (l) RESREIT shall not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of the Adjusted Unitholders’ Equity of RESREIT;
- (m) the limitation in paragraph (l) 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:
 - (i) the Government of Canada, the Government of the United States, any province of Canada, any state of the United States or any municipality in Canada or the United States, or any agency thereof; or
 - (ii) 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
 - (iii) a Canadian chartered bank registered under the laws of a province of Canada; and
- (n) RESREIT shall not issue additional Units unless the Trustees consider that, based upon the market price of Units prevailing at such time and the expected use of proceeds from such issuance, the issuance of such Units would not be expected to result in a yield to Unitholders over the ensuing 12 month period which is less than the current yield to Unitholders.

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement.

Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the investment restrictions set out under the heading “Investment Restrictions” and the operating policies contained in subparagraphs (a), (c), (e), (f), (g), (h), (i), (l) and (m) under the

heading “Operating Policies” may be amended (except for any amendment which, in the opinion of the Trustees, is necessary or desirable to enable RESREIT to issue Units for which the purchase price is payable on an instalment basis, as permitted by the Declaration of Trust) only with the approval of two-thirds of the votes cast by Unitholders of RESREIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Operating Plan

On an annual basis, RESREIT, on the recommendation of the Advisor, will establish an investment and operating plan for the ensuing period.

MANAGEMENT OF THE PROPERTIES

Property Manager

The Property Manager was formed for the purpose of managing the Properties on behalf of RESREIT. The Property Manager is a special purpose limited partnership owned as to 50% by GPMI and as to 50% by LTMI and the general partner of which is LT Greenwin Property Management Inc. LT Greenwin Property Management Inc. will be responsible for and restricted to transacting all business on behalf of the Property Manager, will be staffed by LTMI’s and GPMI’s key residential management personnel, and will utilize LTMI’s and GPMI’s systems and operating practices relating to the Properties, thus ensuring continuity and efficient operation of the Properties for RESREIT and enabling RESREIT to receive the benefits to be derived from two of the leading residential property managers in Canada. The senior personnel of LT Greenwin Property Management Inc. have decades of direct and extensive experience in ensuring that the Properties are well maintained and leased, and that the twin goals of tenant satisfaction and satisfactory returns to the owners of the Properties are met. The Property Manager will be restricted from engaging in performing property management services other than for RESREIT, unless it obtains the prior consent of a majority of the Independent Trustees.

All of the directors and officers of LT Greenwin Property Management Inc. have been involved in a broad range of real estate activities over at least the past five years. Senior management of LT Greenwin Property Management Inc. includes Larry Popofsky, the Chief Executive Officer of GPMI, Evelyn Visconti, the Vice-President Residential of LTMI, Michael Bolahood, the Chief Operating Officer of GPMI and Barry Eisen, the Vice-President, Finance of GPMI, each of whom has had substantial experience in the real estate industry.

Property Management Agreement

Pursuant to the Property Management Agreement, the Property Manager will have general responsibility for the overall management and operation of the Properties and, if requested by the Advisor, will supervise third party property managers where the Advisor believes it is in the best interests of RESREIT to retain property managers other than the Property Manager with respect to certain of the properties of RESREIT.

The initial term of the Property Management Agreement is five years and will be automatically renewed for successive one year terms unless terminated at the end of the initial term or at the end of any renewal term upon the approval of at least two-thirds of the votes cast by the Independent Trustees at a meeting of the Trustees called for that purpose. The Property Management Agreement may be terminated by RESREIT in the event of a material default by the Property Manager thereunder, or on any change in control of the Property Manager to any Person who is not part of Greenwin or Lehndorff Tandem, upon termination for cause of the Advisory Agreement by RESREIT if the Property Manager and the Advisor are Related Parties at the time or upon a breach by any Person (other than RESREIT) of any material term of any Non-Competition Agreement executed by it or a breach of any material term of either of the Strategic Alliance and Non-Competition Agreements by any of Lehndorff Tandem or Greenwin, in any case which is not cured within 30 days of written notice of such breach. The Property Management Agreement may also be terminated by RESREIT in respect of any property being managed thereunder in the event that property is disposed of, and may be terminated, other than for cause, by the Property Manager after the initial term on 120 days prior notice to RESREIT.

The Property Management Agreement will provide for payment of annual property management fees to the Property Manager in an amount equal to 3.50% of the Gross Rentals of the Properties and such other properties of RESREIT as may from time to time be managed by the Property Manager, which will be calculated and payable

monthly. After the first two years of the term of the Property Management Agreement, the Independent Trustees and the Property Manager shall negotiate in good faith the percentage fees payable to the Property Manager for the balance of the term, which percentage fee will not be less than the percentage fee for the first two years of the term. Any increase in the percentage fees payable to the Property Manager will require the approval of a majority of the Independent Trustees. The Property Manager will engage competent and experienced third parties to construct or cause to be constructed capital improvements at competitive market rates, which third parties may be related to the Property Manager. The fees payable to the Property Manager shall constitute payments for all property management services rendered by the Property Manager; additional fees or commissions may be paid to the Property Manager in certain circumstances, including in respect of commercial leasing, construction management, insurance recovery and real estate consultancy services which may be required by RESREIT.

Pursuant to the Property Management Agreement, the Property Manager will be responsible for employment expenses of its personnel, rent and other office expenses, and miscellaneous administrative expenses relating to its functions under the Property Management Agreement, other than the costs of on-site offices, personnel and equipment dedicated to any one or more of the Properties (such as on-site superintendents and other on-site support staff).

STRATEGIC ALLIANCE AND NON-COMPETITION AGREEMENTS

On Closing, RESREIT will enter into Strategic Alliance and Non-Competition Agreements with Greenwin and Lehndorff Tandem to co-operate in certain areas related to the purchase and sale of multi-unit residential rental properties and other areas related to the ownership and management of multi-unit residential rental properties. The Strategic Alliance and Non-Competition Agreements are founded on the fact that the interests of Greenwin, Lehndorff Tandem and RESREIT are aligned in certain respects and that co-operation in certain endeavours will be to their mutual advantage. Specifically, each of Greenwin and Lehndorff Tandem will agree that with respect to any multi-unit residential rental property which it owns or over which it has power of disposition and which is to be offered for sale or transferred, subject to existing legal obligations, it will first offer such property to RESREIT upon fair market terms, provided such property meets the investment criteria of RESREIT. Greenwin and Lehndorff Tandem will also agree not to compete with RESREIT in the acquisition of multi-unit residential rental properties which meet the investment criteria of RESREIT, unless RESREIT has been provided with a right of first offer with respect to any such acquisition opportunity. Each of Greenwin and Lehndorff Tandem will also be prohibited from establishing another real estate investment trust whose purpose is to invest primarily in multi-unit residential rental properties in Canada. Further, each of Greenwin and Lehndorff Tandem will agree that when it or its affiliates is managing or supervising the management of properties which may compete with the properties of RESREIT, it will not manage or permit the manager to act in such a way as to favour such properties over the properties of RESREIT, nor will it, during the term of any lease to a tenant of any property of RESREIT, solicit such tenant to move to a building in which RESREIT does not have an interest. The Strategic Alliance and Non-Competition Agreements will continue in force during the term of the Advisory Agreement and so long as Greenwin or Lehndorff Tandem, as the case may be, control the Advisor.

On Closing, each of the Non-Independent Trustees, the Advisor, the partners of the Advisor (including the General Partner) the directors and officers of the General Partner, the Property Manager, the partners of the Property Manager (including the general partner of the Property Manager) and the directors and officers of the general partner of the Property Manager will enter into a Non-Competition Agreement with RESREIT which will restrict certain real estate related activities by each of them. Pursuant to the Non-Competition Agreements, each of the foregoing will be prohibited from investing in any multi-unit residential rental property which meets the investment criteria of RESREIT, unless such investment has first been offered to RESREIT in accordance with the terms of the Non-Competition Agreements, and from establishing another real estate investment trust, the purpose of which is to invest primarily in multi-unit residential rental properties in Canada. This prohibition will not apply to investments held by such Persons (and disclosed to RESREIT) at the time such Persons enter into their Non-Competition Agreement. The Advisor and the Property Manager will also be prohibited from acting as trustee, agent, consultant or advisor to any person with respect to any such real estate investment trust or with respect to any investment in a multi-unit residential rental property which meets the investment criteria of RESREIT, unless in the latter case, such activity has been approved by a majority of the Independent Trustees. The foregoing will agree also that, during the term of any lease to a tenant of any property, they will not solicit such tenant to move to a building in which RESREIT does not have an interest.

The Non-Competition Agreements shall apply, in the case of the Advisor or the General Partner, until the expiry of the Advisory Agreement; in the case of the Property Manager or the general partner of the Property Manager, until

the expiry of the Property Management Agreement; in the case of a Non-Independent Trustee, so long as he or she is a Trustee; in the case of a director or officer of the General Partner, during the term of the Advisory Agreement and so long as such individual is a director or officer of the General Partner; and in the case of a director or officer of the general partner of the Property Manager, during the term of the Property Management Agreement and so long as such individual is a director or officer of the general partner of the Property Manager. It shall also be a condition of each of the Advisory Agreement and the Property Management Agreement that during the term of the Advisory Agreement or the Property Management Agreement, as the case may be, each successor director and officer of the General Partner or the general partner of the Property Manager, as the case may be, shall execute a non-competition agreement substantially equivalent to the Non-Competition Agreement of his or her predecessor.

PRO FORMA CAPITALIZATION OF RESREIT

The following table sets forth the pro forma capitalization of RESREIT as at January 1, 1998 (before and after giving effect to this Offering) but without giving effect to the exercise of the Over-Allotment Option. Such table should be read in conjunction with the financial statements contained elsewhere in this Prospectus.

	<u>As at January 1, 1998 (before giving effect to the Offering)</u>	<u>As at January 1, 1998 (after giving effect to the Offering)⁽¹⁾</u>
		(in thousands, other than per Unit amount)
Mortgages payables ⁽²⁾	Nil	\$189,731
Unitholders' equity	\$20	\$182,388
Total	\$20	\$372,119
Number of Units	2	19,670
(Authorized – unlimited)		
Capitalization per Unit	\$10	\$ 9.27

Notes

- (1) Assumes 19,670,000 Units at \$10 per Unit are issued pursuant to this Offering and the use of the net proceeds therefrom to RESREIT as described under the heading "Use of Proceeds".
- (2) See "Initial Portfolio – Financing" for a summary of the terms of the mortgages payable by RESREIT.

PRIOR SALES AND PRINCIPAL UNITHOLDERS

On October 24, 1997, in connection with the establishment and organization of RESREIT, RESREIT issued one Unit to each of John M. Scott, on behalf of LTMI, and Maurice Kagan, on behalf of GPPI, in consideration of \$10 per Unit.

DECLARATION OF TRUST AND DESCRIPTION OF UNITS

General

RESREIT is an unincorporated closed-end investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario.

Units

The beneficial interests in RESREIT are divided into a single class of Units. The aggregate number of Units which RESREIT may issue is unlimited. Upon the Closing of this Offering, there will be 19,670,002 Units outstanding. A further 1,600,000 Units are issuable on exercise of options granted under the Unit Option Plan (see "Management of RESREIT – Unit Option Plan") and up to 1,967,000 Units are issuable on the exercise of the Over-Allotment Option (see "Plan of Distribution"). Units represent a Unitholder's proportionate undivided beneficial interest in RESREIT. 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 RESREIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by RESREIT and, in the event of termination of RESREIT, in the net assets of RESREIT remaining after satisfaction of all liabilities. Units will be issued in registered form 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.

Purchases of Units

RESREIT may from time to time purchase for cancellation 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 RESREIT to purchase such Unitholder’s Units.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units within the meaning of the *Securities Act* (Ontario) 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 Declaration of Trust.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for the election or removal of Trustees; the appointment or removal of the auditors of RESREIT; the approval of amendments to the Declaration of Trust (except as described under the heading “Amendments to Declaration of Trust”), including the amendment of any right with respect to any outstanding Units to reduce the amount payable thereon upon termination of RESREIT or to diminish or eliminate any voting rights thereof, the amendment of the duration or termination provisions of RESREIT; the amendment of the powers, duties, obligations, liabilities or indemnification of the Trustees; the sale or transfer of the assets of RESREIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of RESREIT as approved by the Trustees; and the termination of RESREIT. Meetings of Unitholders will be called and held annually for the election of the Trustees (other than those appointed by the Advisor and LTMI and GPMI), and the appointment of auditors of RESREIT.

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 Unitholders either in person or by proxy and a proxy need not be a Unitholder.

Issuance of Units

RESREIT may issue new Units from time to time. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. 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 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). RESREIT 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 in the aggregate and the Trustees shall inform the transfer agent and registrar of this restriction. The transfer agent and registrar, at the request of RESREIT, shall 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 in the aggregate then outstanding are, or may be, non-residents or that such a situation is imminent, RESREIT or the transfer agent and registrar 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. If, notwithstanding the foregoing, the transfer agent and registrar determines that more than 49% of the Units in the aggregate are held by non-residents, the transfer agent and registrar shall 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 Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents 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 Unitholders 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

RESREIT 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 and equivalent provincial legislation.

Prior to each annual or 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 Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including termination of RESREIT) require approval by at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- 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 RESREIT, its status as a "mutual fund trust" or, if applicable, a "registered investment" under the Tax Act or the distribution of Units;
- which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- to remove any conflicts or inconsistencies between the disclosure herein and the Declaration of Trust or to make minor corrections which are, in the opinion of Trustees, necessary or desirable and not prejudicial to the Unitholders;
- which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws; and
- 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.

Term of RESREIT and Sale of Substantially All Assets

RESREIT has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of RESREIT or the sale or transfer of the assets of RESREIT as an entirety or substantially as an entirety (other than as

part of an internal reorganization of the assets of RESREIT as approved by the Trustees) requires approval by at least two-thirds of the votes cast at a meeting of the Unitholders.

DETAILS OF THE OFFERING

The Offering consists of 14,720,000 Receipt Units and 4,950,000 fully paid LT/Greenwin Units. The initial instalment of \$6.00 per Receipt Unit is payable on Closing which is expected to occur on or about February 16, 1998 (but not later than March 15, 1998) and the final instalment of \$4.00 per Receipt Unit is payable on or before the first anniversary of Closing (the "Final Instalment Date"). Prior to receipt by the Custodian of the final instalments, beneficial ownership of the Receipt Units will be represented by Instalment Receipts and the Receipt Units will be pledged by the registered holders thereof to RESREIT, pursuant to the terms of the Instalment Receipt Agreement (described below). The Instalment Receipt certificates will be available for delivery at Closing. Upon due payment of the final instalments, pursuant to the Instalment Receipt Agreement, registered holders of Instalment Receipts will become registered holders of the Receipt Units. The final instalment payment must be received by the Custodian no later than 3:00 pm (local time) on the Final Instalment Date.

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 thereof. 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 Closing among RESREIT, the Agents, the Custodian and the Security Agent, whereunder the Custodian will issue the Instalment Receipts and the Security Agent will hold the Receipt Units pledged to RESREIT. For the purposes of this description of the material attributes and characteristics of the Instalment Receipts, a "holder" means a person who is shown on the register of holders of Instalment Receipts maintained under the Instalment Receipt Agreement. Copies of the Instalment Receipt Agreement will be available for inspection at the principal stock and bond transfer office of the Custodian in Toronto.

Holders of Instalment Receipts will be deemed to be bound by the terms of the Instalment Receipt Agreement. The Instalment Receipt Agreement will provide that legal title to the Receipt Units offered hereby will be registered in the name of the Custodian and held by the Security Agent, as collateral security, following payment of the initial instalments pursuant to the Agency Agreement (described under the heading "Plan of Distribution") and until the final instalments have been fully paid to the Custodian on or before the Final Instalment Date. The Receipt Units offered hereby will be pledged by the holders of Instalment Receipts to RESREIT at Closing and will be held in the possession of the Security Agent subject to the terms of the Instalment Receipt Agreement. By acquiring and holding an Instalment Receipt, the holder thereof acknowledges that the Receipt Units represented thereby will be held as continuing security for the obligation of such holder to pay the unpaid final instalment, and other amounts payable under the Instalment Receipt Agreement, and that the pledge will remain in effect and be binding and effective notwithstanding any transfer of or other dealings with the Instalment Receipt and the rights evidenced or arising thereby. By acquiring and holding an Instalment Receipt, the holder thereof also acknowledges that RESREIT will secure repayment of the Instalment Loan, by an assignment (the "Pledge Assignment Agreement"), as collateral security to a Canadian chartered bank, of its rights and entitlements under the Instalment Receipt Agreement.

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 will be deemed (a) to have assumed the obligation to pay the final instalment and to thereupon become entitled to receive a certificate representing the Receipt Units represented by such Instalment Receipt; and (b) to beneficially own the Receipt Units represented by the Instalment Receipt, subject to the pledge of such Receipt Units to RESREIT, which secures such obligation (which rights will be assigned pursuant to the Pledge Assignment Agreement).

The Instalment Receipt Agreement will require the Custodian to mail to the holders of Instalment Receipts, as determined on a date being not more than 14 days before the date of mailing, a notice of the Final Instalment Date and

the amount of the final instalment not less than 30 days prior to the Final Instalment Date. Payment of the final instalment is required when due whether or not a holder of Instalment Receipts receives a notice of the Final Instalment Date from the Custodian. Subject to compliance with the provisions of the Instalment Receipt Agreement, as soon as practicable after timely payment of the final instalment and presentation and surrender of the relevant Instalment Receipt certificate, the Receipt Units represented thereby will be registered in the name of, and a certificate evidencing such Receipt Units will be forwarded to, the holder of the Instalment Receipt without additional charge.

A holder of an Instalment Receipt will be entitled to make payment, in accordance with the provisions of the Instalment Receipt Agreement, of the final instalment prior to the Final Instalment Date and thereby become the registered holder of such Receipt Units.

Rights and Privileges

Under the Instalment Receipt Agreement, holders of Instalment Receipts 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 RESREIT of the Units represented by the Instalment Receipts (and assigned by RESREIT to a Canadian chartered bank pursuant to the Pledge Assignment Agreement) or except where the exercise of such rights and privileges would not be practicable. In particular, a holder of Instalment Receipts 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 represented by such Instalment Receipts.

The Instalment Receipt Agreement will provide that distributions on Receipt Units which are declared to be payable to Unitholders of record on or before the first anniversary of Closing 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 of the Instalment Receipts representing such Receipt Units. RESREIT will covenant in the Instalment Receipt Agreement that until the first anniversary of Closing RESREIT will not:

- (a) except pursuant to the Rights Plan, issue or distribute to all, or substantially all, of the holders of Receipt Units, any: (i) securities; (ii) options, rights or warrants to purchase any securities; (iii) securities convertible into or exchangeable for securities, property or other assets; (iv) evidences of indebtedness; or (v) any property or assets (other than cash distributions), whether of RESREIT or of any other Person; or
- (b) subdivide, consolidate, reclassify or make any other change in the Units or effect any reorganization, arrangement, merger, transfer or sale of all, or substantially all, of its assets, or any other similar transaction affecting RESREIT or the Receipt Units.

Transfer of Instalment Receipts

Transfers of Instalment Receipts will be registrable at the principal stock transfer office of the Custodian in 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 RESREIT (and the Pledge Assignment Agreement), and become subject to the obligations of a holder of Instalment Receipts 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

Pursuant to the Instalment Receipt Agreement, the registered holders of Instalment Receipts will be deemed to pledge the Receipt Units represented by such Instalment Receipts to secure payment of the final instalment. If payment of the final instalment is not duly received by the Custodian from a holder of Instalment Receipts when due, the

Instalment Receipt Agreement will provide that (except as set out below) any Receipt Units (and any securities or property substituted therefor or in addition thereto) then remaining pledged under the Instalment Receipt Agreement in respect of such Instalment Receipts, may, at the option of RESREIT, subject to complying with applicable law, be acquired by RESREIT in full satisfaction of the obligations of such holder of Instalment Receipts secured thereby. The Instalment Receipt Agreement will further provide that RESREIT may, as an alternative remedy, direct the Custodian to sell the Receipt Units (and any securities or property situated thereof or in addition thereto) in respect of which payment of the final instalment was not duly received, in accordance with the requirements of applicable law and the Instalment Receipt Agreement, and remit to the holder of the Instalment Receipt the holder's pro rata portion of the proceeds of such sale after deducting therefrom the amount of the overdue amounts), which costs shall in any event not exceed \$1.00 per Receipt Unit. Notwithstanding the foregoing, in the event that payment of the final instalment in respect of an aggregate of less than 5% of the Receipt Units represented by Instalment Receipts has not been duly received by the Custodian when due, the Custodian must sell the Receipt Units (and any securities or property substituted therefor or in addition thereto) in respect of which payment of the final instalment was not duly received and apply the proceeds of such sale in the manner described above. **The Instalment Receipt Agreement will provide that unless RESREIT shall have acquired the Receipt Units (and any securities or property substituted therefor or in addition thereto) in full satisfaction of the obligations of a holder of Instalment Receipts, the foregoing shall not limit any other remedies available to RESREIT against such holder in the event 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) and accordingly, such holder shall in such circumstances remain liable to RESREIT for any such deficiency.**

Registered holders of Instalment Receipts 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 or property by RESREIT. 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 of Instalment Receipts 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 and the Security Agent 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 and the Security Agent 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 limitation on non-resident ownership of Units is applicable to ownership of Instalment Receipts. See "Declaration of Trust and Description of Units – Limitation on Non-Resident Ownership".

RESREIT will be liable for the charges and expenses of the Custodian and the Security Agent 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 RESREIT as contained in the Declaration of Trust. The distribution policy may be amended only with the approval by a majority of the votes cast at a meeting of Unitholders.

General

The Declaration of Trust provides that RESREIT will distribute to Unitholders on an annual basis no less than the greater of (A) the income of RESREIT calculated in accordance with the Tax Act ("Taxable Income"), and (B) 80% of the income of RESREIT calculated in accordance with generally accepted accounting principles excluding gains and losses from the disposition of real property, imputed interest income on the Instalment Loan and

before any deduction for depreciation or amortization of prepaid rent (“Income Available for Distribution”), such amount which is available to be paid by RESREIT in any year being the “Distributable Income”; provided that the Trustees may distribute less than the amount otherwise required to be distributed if it is determined by at least two-thirds of the Trustees that to do so would be in the best interests of RESREIT and provided that to do so would not subject RESREIT to liability for tax. For these purposes, Taxable Income excludes net capital gains or losses and net recapture income and requires that discretionary deductions be taken to the maximum extent permitted under the Tax Act. RESREIT will make distributions to its Unitholders on a monthly basis on or about the 15th day of each month other than January and on December 31 in each calendar year (a “Distribution Date”) commencing on April 15, 1998. Monthly distributions will be based on the Trustees’ estimate of yearly Distributable Income, subject to adjustment from time to time throughout the year.

On December 31 of each year, Unitholders will be entitled to receive a distribution of (i) the net realized capital gains and net recapture income for the year then ended; and (ii) any excess of Taxable Income for purposes of the Tax Act over distributions of such Taxable Income otherwise made for such calendar year. The net realized capital gains of RESREIT for any year means, in general, the amount by which the capital gains of RESREIT for the year exceed the amount of any capital losses of RESREIT for the year and is further reduced by reference to the amount of any non-capital losses and capital losses of RESREIT carried forward from prior years. The net recapture income of RESREIT for any year means, in general, the amount by which income by way of recapture of capital cost allowance previously claimed by RESREIT with respect to its properties disposed of in the year exceeds terminal losses realized by RESREIT from the disposition of properties in the year.

The cost for tax purposes of Units held by a Unitholder will generally 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 Unitholder’s cost of his or her Units would otherwise be a negative amount.

Distributions are made to Unitholders of record on the record date determined by the Trustees in respect of such distribution. See also “Canadian Federal Income Tax Considerations”.

Distributions will 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.

It is the current intention of RESREIT to distribute 100% of yearly Distributable Income.

Tax Deferral on 1998 Distributions

Management estimates that 78% of the distributions to be made by RESREIT to Unitholders in 1998 will be tax deferred. The adjusted cost base of Units held by a Unitholder will generally 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 “Canadian Federal Income Tax Considerations”.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodman and Carr, counsel to RESREIT, and Goodman Phillips & Vineberg, Toronto, counsel to the Agents, 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 residents in Canada, deal at arm’s length with RESREIT and will hold their Units as capital property.

This 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 (the “Regulations”), counsels’ understanding of the published administrative practices of Revenue Canada and the specific proposals to amend the Tax Act and the Regulations (“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, regulatory, administrative or judicial action, nor does it take into account provincial tax legislation or considerations.

This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act and the Regulations or the Tax Proposals could significantly alter the tax status of RESREIT or the tax consequences of investing in Units.

This summary does not address the income tax consequences to Unitholders who acquire Units pursuant to the Unit Option Plan. Such Unitholders should consult their tax advisors.

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

Based upon information provided to counsel by RESREIT and the enactment of the Tax Proposals, at the date of Closing, RESREIT will qualify as a “unit trust” and will qualify as a “mutual fund trust” under the provisions of the Tax Act. To qualify as a mutual fund trust, RESREIT must be a “unit trust” as defined by the Tax Act and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of RESREIT or (iii) any combination of the activities described in (i) and (ii), and must have at least 150 Unitholders holding not less than 100 Units of RESREIT which are qualified for distribution to the public and which have an aggregate fair market value of not less than \$500. RESREIT has advised counsel that RESREIT expects that RESREIT will on Closing and will, following Closing, continue to qualify as a mutual fund trust under the provisions of the Tax Act and the balance of this summary assumes that RESREIT does and will continue to so qualify.

Taxation of RESREIT

RESREIT 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 or deemed to be paid or payable in such year to Unitholders and deducted by RESREIT for tax purposes.

The Declaration 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 RESREIT, less distributions of RESREIT’s income for that year made by RESREIT, shall be paid to Unitholders, and that its net taxable capital gains and net recapture income shall be paid on the last Distribution Date in the taxation year, to the extent RESREIT is unable to shelter such gains or income with capital or non-capital losses. The Declaration of Trust further provides that RESREIT will deduct for tax purposes such income as is paid to Unitholders for the year, and consequently RESREIT will generally not be liable for income tax under Part I of the Tax Act in any taxation year.

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

Taxation of Unitholders

A Unitholder is required to include in computing its income for tax purposes in each year, the portion of the amount of net income and net taxable capital gains of RESREIT, determined for the purposes of the Tax Act, paid or payable (whether or not those amounts are reinvested in Units of RESREIT pursuant to the Distribution Reinvestment Plan) to such Unitholder in the year that RESREIT deducts such amounts in computing its income for tax purposes.

The Declaration 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 Declaration of Trust generally requires RESREIT to claim the maximum amount of capital cost allowance available to it in computing its income for tax purposes. In computing its income for tax purposes, RESREIT may

deduct reasonable rent, interest and other expenses incurred for the purpose of earning income and may amortize ratably over a five-year period the underwriting fees and other expenses of the Offering. Prepaid rent in respect of a particular Long Term Lease will be deducted over the term of such lease on a straight line basis. Based on the distribution policy, the amount distributed to Unitholders in a year may exceed the income of RESREIT for tax purposes for that year. Distributions in excess of RESREIT's taxable income in a year will not be included in computing the income of the Unitholders from RESREIT 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 RESREIT (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.

RESREIT 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 RESREIT. 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 base of all Units owned by a Unitholder at a particular time. The cost of Units acquired by reinvestment of distributions pursuant to the Distribution Reinvestment Plan will be the amount of such reinvestment.

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

In general terms, net income of RESREIT 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 RESREIT or realized on a disposition of Units may increase the Unitholder's liability for such tax.

Where the collateral that is constituted by a Unit is accepted by RESREIT, or its respective 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 or her tax advisor with respect to such rules. Where the collateral is sold by the Security Agent as a consequence of the Unitholder's failure to pay the final instalment, the amount realized by the Security Agent, 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.

RESREIT 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"), 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 RESREIT 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 RESREIT 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 the Unitholder's income for the year from RESREIT 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 RESREIT 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 RESREIT qualifies as a “mutual fund trust” for purposes of the Tax Act at a particular time (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”) at such time. Plans will generally not be liable for tax in respect of any distributions received from RESREIT or any capital gain arising on the disposition of Units.

Units of RESREIT 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 provided that, at all times, RESREIT is a “mutual fund trust” for purposes of the Tax Act (see “Qualification as a Mutual Fund Trust”) and at no time does the aggregate cost amount of any foreign property held by RESREIT exceed 20% of the cost amount of RESREIT’s property. The Declaration of Trust provides that RESREIT will not make any investment that would result in the aggregate cost amount of foreign property held by RESREIT exceeding 20% of the aggregate cost amount of RESREIT’s property.

USE OF PROCEEDS

The net proceeds to RESREIT of the Offering, after deducting the Agents’ fee and the expenses in respect of the Offering, are estimated to be \$185,735,857 upon receipt of the final instalments (including \$49,500,000 which represents the value of the LT/Greenwin Units to be issued on Closing to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group in partial consideration of amounts payable by RESREIT for the acquisition of the Initial Portfolio). Of this amount, approximately \$173,305,857 (including \$49,000,000 to be drawn by RESREIT under the Instalment Loan on Closing) will be used to satisfy the amount payable in respect of the Initial Portfolio, subject to normal closing adjustments, and to buy down the interest rate on certain mortgages to be entered into or assumed by RESREIT on Closing and the remainder (including up to an additional \$9,880,000 which may be drawn by RESREIT under the Instalment Loan following Closing) will be used for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. The net proceeds to RESREIT, if any, from the sale of Receipt Units pursuant to the Over-Allotment Option will be used for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements. See “Initial Portfolio”.

Concurrent with Closing, RESREIT will obtain a non-revolving term loan (the “Instalment Loan”) from a Canadian chartered bank available by way of one or more draws as required to finance the acquisition of interests in the Properties, not to exceed in aggregate the amount of the final instalments for Receipt Units issued by RESREIT under the Offering and pursuant to the Over-Allotment Option, if any. ScotiaMcLeod Inc., one of the Agents, is a wholly-owned subsidiary of the Canadian chartered bank which will be providing the Instalment Loan to RESREIT on Closing. The Instalment Loan will be used by RESREIT to pay part of the purchase price for the Initial Portfolio. Consequently, RESREIT may be considered to be a related or connected issuer of ScotiaMcLeod Inc. for the purposes of the securities regulations of certain Canadian provinces. ScotiaMcLeod Inc. will not receive any benefit in connection with this Offering other than its respective portion of the Agents’ fee payable by RESREIT. RESREIT will assign to the Canadian chartered bank, as collateral security for the Instalment Loan, its rights under the Instalment Receipt Agreement, including its right to receive payment of the final instalments payable in respect of the Receipt Units issued by RESREIT under the Offering, which amounts will be used to repay the Instalment Loan. RESREIT anticipates drawing down approximately \$49,000,000 at Closing. RESREIT will use the proceeds of further draws under the Instalment Loan for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements.

	<u>Amount Payable⁽¹⁾</u>	<u>Land Transfer Taxes and Other Acquisition and Leasing Expenses⁽²⁾</u>	<u>Estimated Closing Adjustments⁽³⁾</u>	<u>Mortgages⁽⁴⁾</u>	<u>Use of Proceeds⁽⁵⁾</u>
Initial Portfolio	\$365,999,931	\$3,355,000	\$(6,318,000)	\$(189,731,074)	\$173,305,857
Funds Available for Future Property Acquisitions and Leases, Working Capital and Capital Improvements	—	—	—	—	12,430,000 ⁽⁶⁾
Total	<u>\$365,999,931</u>	<u>\$3,355,000</u>	<u>\$(6,318,000)</u>	<u>\$(189,731,074)</u>	<u>\$185,735,857⁽⁷⁾</u>

Notes:

- (1) The amount payable by RESREIT in respect of the Initial Portfolio is \$365,999,931, an amount that reflects a reduction for required capital expenditures of approximately \$10 million, subject to normal closing adjustments.
- (2) Includes acquisition and leasing related expenses payable by RESREIT, including land transfer taxes, legal and other expenses less security deposits and other liabilities.
- (3) Estimated closing adjustments for mark to market costs on assumed mortgages, assumption of last month's rent liabilities and prepayment of realty tax amounts. The amounts in this column do not include the usual adjustments referred to in Note (1).
- (4) Represents the outstanding balance as at February 1, 1998 of mortgages which will be entered into or assumed by RESREIT on the Closing.
- (5) Includes cash payable on Closing, land transfer and other taxes and other acquisition and leasing expenses referred to in Note (2).
- (6) Represents cash available on Closing and the undrawn funds available under the Instalment Loan.
- (7) Includes \$49,500,000 which is the value of the 4,950,000 LT/Greenwin Units which will be issued to the members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group on Closing in partial consideration for the acquisition by RESREIT of the Initial Portfolio.

The funds available to RESREIT upon completion of the Offering are expected to be greater than \$365,999,931, which is the total amount payable by RESREIT in respect of the Initial Portfolio, subject to adjustments, and accordingly, the excess will be retained by RESREIT for further acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, capital improvements and working capital purposes.

UNITHOLDERS' RIGHTS PLAN

RESREIT proposes to establish a Unitholders' rights plan (the "Rights Plan") prior to Closing. The Rights Plan will utilize the mechanism of the Permitted Bid (as hereinafter described) to ensure that a person seeking control of RESREIT 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 risk being 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 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 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 provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons. See "Portfolio Managers".

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 term of the Rights Plan will be five years, subject to reconfirmation by Unitholders at the first annual meeting of the Unitholders following the third anniversary date of the effective date of the Rights Plan, being the date of the completion of the Offering (the “Effective Date”).

Issue of Rights

On the Effective Date, one right (a “Right”) will be issued and attached to each outstanding Unit. One Right will also attach to any subsequently issued Units. The initial exercise price of each Right 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 RESREIT, other than by an acquisition pursuant to a Permitted Bid.

The acquisition by a person (an “Acquiring Person”), including persons acting in concert, of 20% or more of the Units of RESREIT, other than by way of a Permitted Bid 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 RESREIT or by an Acquiring Person that an Acquiring Person has become such, will become 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 and 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:

- The take-over bid must be made by way of a take-over bid circular.
- The take-over bid must be made for all Units and to all holders of Units, other than the bidder.
- 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 from the date of the bid 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.
- 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 Managers

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

RESREIT 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 RESREIT remains a mutual fund trust for purposes of the Tax Act at all material times, 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. 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 holder thereof, as such, will have no rights as a Unitholder.

RISK FACTORS

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

Absence of Prior Public Market

RESREIT is a newly-formed unincorporated trust. RESREIT cannot predict at what price 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 and numerous other factors beyond the control of RESREIT.

Real Property Investments

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for multi-unit residential and ancillary commercial premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If RESREIT is unable to meet mortgage payments on any property, loss could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit RESREIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If RESREIT were required to liquidate its real property investments, the proceeds to RESREIT might be significantly less than the aggregate value of its properties on a going concern basis.

RESREIT will be subject to the risks associated with debt financing, including the risk that existing mortgage 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.

Leasehold Interests

All Long Term Leases and Ground Leases are subject to elements of risk. Unlike a freehold interest, a lessee's interest in a lease may be affected by mortgage defaults by the lessor which cannot be cured by the lessee. In connection with the Long Term Leases, RESREIT will be responsible for payment of all taxes, utilities, insurance, maintenance, repairs and replacements in respect of all Leased Premises, with certain exceptions in the last 10 years of each Long Term Lease. Upon the transfer of a Long Term Lease by RESREIT, RESREIT will only be released from liability thereunder if the transferee meets certain tests. Lessors under any Long Term Lease may terminate the Long Term Lease if there is a substantial default by RESREIT which remains uncured after a cure period.

Other than mortgages of the freehold by the Lessor which are required by RESREIT of the Lessor, the Lessor under the Long Term Leases may only mortgage its freehold interest with the consent of RESREIT. In connection with two Long Term Leases, it is anticipated that the Lessors will mortgage their freehold interests as additional security to RESREIT's leasehold mortgage. In the balance of the Long Term Leases, it is anticipated that RESREIT will mortgage its leasehold interest in favour of the Lessors to secure monies loaned to RESREIT by the Lessors, which leasehold mortgages will be assigned as security to the freehold mortgagee existing as of the Closing. RESREIT and certain mortgagees have agreed that in the event of a default under the freehold mortgage which remains uncured by the Lessor or RESREIT, the mortgagee will grant RESREIT 90 days to pay off the freehold (and leasehold) mortgage in its entirety, failing which the mortgagee may enforce its mortgage remedies.

In the event of a default by the Lessor under the aforementioned freehold mortgage or a Lessor's insolvency, generally, RESREIT is entitled at its option to accelerate its secured option to purchase the Property.

Revenue-Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to RESREIT than the existing lease. As well, unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants.

Acquisition of the Initial Portfolio

The completion of the purchase or lease, as the case may be, of each of the Properties comprising the Initial Portfolio is subject to certain standard conditions of closing, including without limitation the receipt by RESREIT of satisfactory title reports and assumption or granting of mortgages, as more particularly set out in the particular Purchase

Agreement or Agreement to Lease, as the case may be, relating to each such Property. While there is no current indication that such conditions will not be satisfied, there can be no assurance that such conditions will be satisfied in respect to any or all of the Properties and, accordingly, that any or all of the Properties will be acquired by RESREIT. In the event that certain of the Properties are not acquired by RESREIT, the net proceeds of the Offering to RESREIT that would otherwise have been used to satisfy the cash payable in respect of such Properties will be used by RESREIT for future acquisitions of freehold and leasehold interests in real property, including any prepaid rent in connection therewith, working capital, mortgage principal repayments and capital improvements.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with RESREIT in seeking tenants. The existence of competing developers, managers and owners and competition for RESREIT's tenants could have an adverse effect on RESREIT's ability to lease space in its properties and on the rents charged, and could adversely affect RESREIT's revenues and, consequently, its ability to meet its debt obligations.

General Uninsured Losses

RESREIT will on Closing carry 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. RESREIT will on Closing have 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, RESREIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but RESREIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

Availability of Distributable Income

Distributable Income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to RESREIT from time to time. RESREIT may be required to use part of its debt capacity or raise additional equity in order to accommodate such items and there can be no assurance that funds from such sources will be available on favourable terms or at all. In such circumstances, distributions of Distributable Income may be reduced to provide funding therefor.

Government Regulation

RESREIT will initially have an interest in 23 Properties located in the Province of Ontario. The *Rent Control Act, 1992* (Ontario) provides severe restrictions upon the ability of a landlord to increase rents, including rent increases to recover increases in operating expenses and capital expenditures relating to residential rental properties, and permits tenants to bring proceedings to challenge rent increases otherwise permitted in the Act. The *Landlord and Tenant Act* (Ontario) and the *Tenant Protection Act, 1997* provide tenants of residential rental properties with a high level of security of tenure and prescribe certain procedures which must be followed by a landlord in order to terminate a residential tenancy. It may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be amended, created or enforced in a way which will materially adversely affect the ability of RESREIT to maintain the Properties' historical level of earnings. Although the *Tenant Protection Act, 1997* may be beneficial to RESREIT, it may not be proclaimed in force, may be amended prior to its proclamation, or may be subsequently repealed.

The current legislative regime in the Province of Ontario is such that RESREIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The nature of high rise apartment construction and operation is such that refurbishment and structural repairs are required periodically in addition to regular on-going maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continuously evolving and changes thereto may give rise to on-going financial and other obligations of RESREIT, the costs of which may not be fully recoverable from tenants.

Alberta and British Columbia, the other two provinces in which RESREIT will initially own Properties, also have legislation applicable to residential tenancies which may impact upon rents which RESREIT may charge to tenants in

such provinces. In addition, the applicable legislation may be amended, created or enforced in a way which will materially adversely effect the ability of RESREIT to maintain such properties' historical level of earnings.

Environmental Site Assessments

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, RESREIT 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. The failure to remove or remediate such substances, 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.

Phase I environmental site assessments (also known as environmental audits) of each of the Properties were performed by independent environmental consultants, O'Connor Associates Environmental Inc., Shaheen & Peaker Limited or Beak International Incorporated. Based on the results of the Phase I environmental assessments, O'Connor was retained to perform a Phase II environmental assessment for the Property at 1055 Bloor Street East, Mississauga and confirmed the proper removal of an underground storage tank.

The Phase I environmental site assessments did not reveal any material environmental concerns with respect to the Properties. However, there was indication with respect to some of the Properties that certain remediation activities would be prudent. RESREIT will undertake the remediation requirements in accordance with its environmental remediation program and prudent management practices. Where the environmental consultants have indicated the need for remediation of a more immediate nature, RESREIT will cause such remediation to be effected as soon as possible following Closing. These remediation activities will not involve any material expenditures and may be completed by the vendors or lessors under the applicable Purchase Agreements or Agreements to Lease, as the case may be, on or shortly following the Closing. The Purchase Agreements and Agreements to Lease also contain certain environmental representations, warranties and indemnities in favour of RESREIT customary in arm's length transactions of this nature. RESREIT is not aware of any material non-compliance, liability or other claims in connection with environmental matters at any of the Properties, nor is RESREIT aware of any environmental condition with respect to any of the Properties that it believes would involve material expenditures by RESREIT.

On Closing, RESREIT will adopt an environmental management program which will provide, among other things, that RESREIT will have conducted on every property in which RESREIT proposes to acquire an interest a Phase I environmental assessment and such further environmental assessments as may be indicated.

Unitholder Liability

Recourse for any liability of RESREIT is intended to be limited to the assets of RESREIT. The Declaration of Trust provides that no Unitholder or annuitant (an "annuitant") under a plan of which a Unitholder acts as a trustee or carrier 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 RESREIT or of the Trustees.

Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered by counsel to RESREIT to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of RESREIT (to the extent that claims are not satisfied by RESREIT) in respect of contracts which RESREIT enters into and for certain liabilities arising other than out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause RESREIT's operations to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of RESREIT contain an express disavowal (which, in the opinion of counsel to RESREIT, will be effective) of liability against Unitholders.

Dependence on Key Personnel

The management of the Advisor and the Property Manager depend on the services of certain key personnel. The loss of the services of any of these key personnel could have an adverse effect on RESREIT.

Potential Conflicts of Interest

RESREIT may be subject to various conflicts of interest because of the fact that the directors, officers and associates of the Advisor, the General Partner, the Property Manager and the general partner of the Property Manager, as well as the Trustees, are engaged in a wide range of real estate and other business activities. RESREIT may become involved in transactions which conflict with the interests of any of the foregoing.

The Trustees and associates or affiliates of the Advisor, the General Partner, the Property Manager and the general partner of the Property Manager, may from time to time deal with persons, firms, institutions or corporations with which RESREIT may be dealing, or which may be seeking investments similar to those desired by RESREIT. The interests of these Persons could conflict with those of RESREIT. In addition, from time to time, these Persons may be competing with RESREIT for available investment opportunities.

Certain shareholders of the Lessors also have interests in the Advisor and the Property Manager. See “Interests of Management and others in Material Transactions”.

Any decisions regarding the enforcement by RESREIT of the terms of any agreement entered into by RESREIT with a Trustee who is not an Independent Trustee, with the Advisor or any affiliate thereof, with the Property Manager or an affiliate thereof, or with an associate of a Non-Independent Trustee, the Advisor or the Property Manager may be made by a majority of the Independent Trustees. The Non-Independent Trustees may attempt to influence the Independent Trustees in this regard.

The Declaration of Trust contains “conflicts of interest” provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon. See “Management of RESREIT – Conflict of Interest Restrictions and Provisions”. RESREIT will enter into the Non-Competition Agreements and the Strategic Alliance and Non-Competition Agreements with certain parties which will address certain potential conflicts of interest. See “Strategic Alliance and Non-Competition Agreements”.

Tax Related Risks

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. If RESREIT ceases to qualify as a “mutual fund trust”, RESREIT will be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by RESREIT 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 RESREIT directly or indirectly from another Unitholder. If certain proposed amendments to the Tax Act are not enacted, RESREIT will not qualify as a “mutual fund trust” under the Tax Act. If RESREIT does not or ceases to qualify as a “mutual fund trust” under the Tax Act, the Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. RESREIT will endeavour to ensure that the Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans and registered retirement income funds. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

Dilution

The number of Units RESREIT is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances, including under the Unit Option Plan. Any issuance of Units may have a dilutive effect on the purchasers of Units offered hereby.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, RESREIT has agreed to issue and sell and RBC Dominion Securities Inc., ScotiaMcLeod Inc., CIBC Wood Gundy Securities Inc., Nesbitt Burns Inc., HSBC James Capel Canada Inc., Lévesque Beaubien Geoffrion Inc. and TD Securities Inc. (collectively, the “Agents”) have agreed to act as agents of RESREIT in connection with the distribution of Units offered by this Prospectus, upon the terms and subject to the conditions contained therein. The 19,670,000 Units offered hereby comprise 14,720,000 Receipt Units to be distributed to the public, 2,685,000 LT/Greenwin Units to be distributed to members of the Greenwin Properties Group and

2,265,000 LT/Greenwin Units to members of the Lehndorff Tandem Properties Group. In consideration for \$49,500,000 of the amounts payable to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group in connection with the sale or lease of the Properties, an aggregate of 4,950,000 LT/Greenwin Units will be issued to members of the Greenwin Properties Group and the Lehndorff Tandem Properties Group, respectively, on a fully paid basis at the same price per Unit as set forth in this Prospectus. See “Initial Portfolio – Acquisition of the Initial Portfolio”.

RESREIT has agreed to pay the Agents a fee of \$0.575 per Receipt Unit distributed to the public by the Agents, being an aggregate of \$8,464,000. No fee is payable in respect of the 4,950,000 LT/Greenwin Units distributed to members of the Greenwin Properties Group and members of the Lehndorff Tandem Properties Group. The purchase price of \$10.00 per Receipt Unit is payable in instalments consisting of an initial instalment of \$6.00 per Receipt Unit payable to RESREIT by the Agents on behalf of the purchasers against delivery of the Receipt Units and a final instalment of \$4.00 per Receipt Unit payable on or before the first anniversary of Closing, by registered holders of Instalment Receipts. The obligations of the Agents under the Agency Agreement may be terminated at their discretion upon the occurrence of certain stated events (including their assessment of the state of the financial markets as reflected by the marketability of the Units).

RESREIT has granted to the Agents an option (the “Over-Allotment Option”) exercisable for a period of 30 days from the Closing of the Offering, to distribute an aggregate of up to 1,967,000 Receipt Units on the same terms as set forth above solely to cover over-allotments, if any. RESREIT has agreed to pay the Agents a fee of \$0.575 per Receipt Unit in respect of Receipt Units purchased pursuant to the exercise of the Over-Allotment Option.

In connection with the Offering, subject to the foregoing, the Agents 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 Agents 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 Agents 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 the TSE 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, and, subject to certain exceptions, may not be offered or sold in the United States.

Prior to the Offering, there has been no public market for the Units. The TSE has conditionally approved the listing of the Instalment Receipts and the Units. Listing is subject to RESREIT fulfilling all of the requirements of the TSE, including distribution of Units and/or the Instalment Receipts to a minimum number of public unitholders on or before April 27, 1998. The initial offering price of the Units offered by the Agents has been determined by negotiation between RESREIT and the Agents.

Members of the Greenwin Properties Group and of the Lehndorff Tandem Properties Group have agreed with the Agents that they will not, without the prior consent of the Agents, directly or indirectly, sell, transfer or assign any of the LT/Greenwin Units distributed to them pursuant to this Prospectus during the period of one year following Closing nor sell, transfer or assign more than 33 $\frac{1}{3}$ % of such LT/Greenwin Units during the period commencing one year following Closing and ending six months thereafter nor sell, transfer or assign more than an additional 33 $\frac{1}{3}$ % of such LT/Greenwin Units during the period commencing 18 months following Closing and ending six months thereafter. All of the LT/Greenwin Units are covered by this agreement with the Agents. All Receipt Units received will be freely tradeable, subject to the provisions of applicable securities laws.

RESREIT has agreed that it will not, without the prior consent of the Agents, offer, sell or otherwise dispose of any Units or any securities convertible into or exchangeable or exercisable for Units (other than the Units offered hereby, Units issuable upon exercise of Rights under the Rights Plan, Units issuable upon exercise of the Over-Allotment Option and Units issuable pursuant to the exercise of options granted under the Unit Option Plan) for a period of 120 days from the date of this Prospectus or agree to do so or publicly announce any intention to do so.

The rights issuable under the Rights Plan referred to under the heading “Unitholders’ Rights Plan” will also be issued at Closing.

ScotiaMcLeod Inc., one of the Agents, is a wholly-owned subsidiary of the Canadian chartered bank which will be providing the Instalment Loan to RESREIT on Closing. The Instalment Loan will be used by RESREIT to pay part of the purchase price for the Initial Portfolio. Consequently, RESREIT may be considered to be a related or connected issuer of ScotiaMcLeod Inc. for purposes of the securities regulations of certain Canadian provinces. ScotiaMcLeod Inc. will not receive any benefit in connection with this Offering other than its respective portion of the Agents’ fee payable by RESREIT. See “Use of Proceeds”.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

John M. Scott, who is a Trustee and an officer of RESREIT, and Klaus Vogel, who is a Trustee of RESREIT, or their associates, are unitholders of limited partnerships which have agreed to sell interests in certain of the Properties to RESREIT pursuant to Purchase Agreements. Albert J. Latner and Abraham J. Green, who are Trustees of RESREIT, and Harold Green, or their associates, are shareholders or associates of corporations which have agreed to sell interests in certain of the Properties to RESREIT pursuant to Purchase Agreements or which have agreed to lease certain Pre-Paid Leasehold Properties to RESREIT pursuant to Agreements to Lease. Van Forbell, who is an officer of the General Partner, and his associates are unitholders of limited partnerships which have agreed to sell interests in certain of the Properties to RESREIT pursuant to Purchase Agreements. See “Initial Portfolio – Acquisition of the Initial Portfolio”. Certain of the net proceeds of the Offering will be used to complete these transactions on the Closing.

LTMI and GPMI, each of whom may be considered a promoter of RESREIT for the purposes of applicable securities legislation, has a 50% interest in the Advisor (which is a party to the Advisory Agreement), the General Partner, the Property Manager (which is a party to the Property Management Agreement) and the general partner of the Property Manager. RESREIT will enter into the Greenwin Strategic Alliance and Non-Competition Agreement with Greenwin and will also enter into the Lehndorff Tandem Strategic Alliance and Non-Competition Agreement with Lehndorff Tandem. John M. Scott, who is a Trustee and officer of RESREIT, Klaus Vogel, who is a Trustee of RESREIT and Cheryl Hewson were directors and/or officers of LTMI at the time the Advisory Agreement, the Property Management Agreement and the Strategic Alliance and Non-Competition Agreements were negotiated. LTMI is wholly-owned by a limited partnership which is a party to certain of the Purchase Agreements. Albert J. Latner and Abraham J. Green, who are Trustees of RESREIT and Harold Green, are shareholders, directors and/or officers of GPMI. Each of John M. Scott, Klaus Vogel, Albert J. Latner and Abraham J. Green are also directors and/or officers of the General Partner and of the general partner of the Property Manager. Maurice Kagan and Larry Popofsky are officers of GPMI and are also officers of the General Partner and the general partner of the Property Manager. See “Promoters”, “Management of RESREIT – The Advisor”, “Management of the Properties – Property Manager” and “Strategic Alliance and Non-Competition Agreements”.

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 RESREIT:

- (a) the Advisory Agreement described under the heading “Management of RESREIT – The Advisor”;
- (b) the Agency Agreement described under the heading “Plan of Distribution”;
- (c) the Agreements to Lease and Long Term Leases described under the heading “Initial Portfolio – Acquisition of the Initial Portfolio”;
- (d) the Declaration of Trust described under the heading “Declaration of Trust and Description of Units”;
- (e) the Instalment Loan Agreement described under the heading “Use of Proceeds”;
- (f) the Instalment Receipt Agreement described under the heading “Details of the Offering”;
- (g) the Non-Competition Agreements described under the heading “Strategic Alliance and Non-Competition Agreements”;

- (h) the Strategic Alliance and Non-Competition Agreements described under the heading “Strategic Alliance and Non-Competition Agreements”;
- (i) the Pledge Assignment Agreement described under the heading “Details of the Offering”;
- (j) the Property Management Agreement described under the heading “Management of the Properties – Property Management Agreement”;
- (k) the Purchase Agreements described under the heading “Initial Portfolio – Acquisition of the Initial Portfolio”;
- (l) the Rights Plan described under the heading “Management of RESREIT – Unitholders’ Rights Plan”; and
- (m) the Unit Option Plan described under the heading “Management of RESREIT – Unit Option Plan”.

Copies of the contracts set out above, other than the Agreements to Lease and the Long Term Leases, which are confidential for competitive reasons, may be inspected during ordinary business hours at the offices of Goodman and Carr, 200 King Street West, Suite 2300, Toronto, Ontario during normal business hours and during the period of distribution of the Units and for a period of 30 days thereafter.

PROMOTERS

LTMI and GPMI have taken the initiative in founding and organizing RESREIT and may therefore be considered promoters of RESREIT 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 RESREIT by Goodman and Carr and on behalf of the Agents by Goodman Phillips & Vineberg, Toronto.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of RESREIT are Coopers & Lybrand, Chartered Accountants, 5160 Yonge Street, North York, Ontario.

The registrar and transfer agent for the Units is the Trust Company of the Bank of Montreal at its principal office in Toronto.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada 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 thereto. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, 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 the purchaser’s province or territory, as the case may be. The purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENTS

This Prospectus contains the following financial statements:

- (a) audited balance sheet of RESREIT as at October 24, 1997;
- (b) unaudited pro forma balance sheet of RESREIT as at October 24, 1997;
- (c) unaudited pro forma schedule of net operating income before depreciation, amortization and interest for RESREIT for the year ended December 31, 1996;
- (d) schedules of net operating income before depreciation, amortization and interest for 5200 Lakeshore Road, Burlington, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (e) schedules of net operating income before depreciation, amortization and interest for 1055 Bloor Street, Mississauga, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (f) schedules of net operating income before depreciation, amortization and interest for Dunster/Tonbridge Portfolio, Mississauga, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (g) schedules of net operating income before depreciation, amortization and interest for 25 Bay Mills Boulevard, Scarborough, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (h) schedules of net operating income before depreciation, amortization and interest for 6707 Elbow Drive S.W., Calgary, Alberta, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (i) schedules of net operating income before depreciation, amortization and interest for 924-7th Avenue S.W., Calgary, Alberta, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (j) schedules of net operating income before depreciation, amortization and interest for 8510-11th Street, Edmonton, Alberta, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (k) schedules of net operating income before depreciation, amortization and interest for 1959 to 1999 Marine Drive, Vancouver, British Columbia, unaudited for the nine month period ended September 29, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (l) schedules of net operating income before depreciation, amortization and interest for 10 San Romanoway, North York, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (m) schedules of net operating income before depreciation, amortization and interest for 500 Murray Ross Parkway, North York, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (n) schedules of net operating income before depreciation, amortization and interest for 33 Davisville Avenue, Toronto, Ontario, unaudited for the nine month period ended September 30, 1997 and audited for the years ended December 31, 1996, 1995 and 1994;
- (o) schedules of net operating income before depreciation, amortization and interest for 111 Davisville Avenue, Toronto, Ontario, unaudited for the three months ended September 30, 1997 and audited for the eleven month period ended June 30, 1997 and audited for the years ended July 31, 1996 and 1995;
- (p) schedules of net operating income before depreciation, amortization and interest for 33 Orchardview Boulevard, Toronto, Ontario, unaudited for the nine month period ended September 30, 1997, and audited for the years ended December 31, 1996, 1995 and 1994;

- (q) schedules of net operating income before depreciation, amortization and interest for 411 Duplex Avenue, Toronto, Ontario, unaudited for the nine month period ended September 30, 1997, and audited for the years ended December 31, 1996, 1995 and 1994;
- (r) schedules of net operating income before depreciation, amortization and interest for 77 Huntley Street, Toronto, Ontario, unaudited for the nine month period ended September 30, 1997, and audited for the years ended December 31, 1996, 1995 and 1994;
- (s) schedules of net operating income before depreciation, amortization and interest for 88 Isabella Street, Toronto, Ontario, unaudited for the four month period ended September 30, 1997 and audited for the years ended May 31, 1997, 1996 and 1995;
- (t) schedules of net operating income before depreciation, amortization and interest for 1 and 23 Oriole Road, Toronto, Ontario, unaudited for the four month period ended September 30, 1997 and audited for the years ended May 31, 1997, 1996 and 1995;
- (u) schedules of net operating income before depreciation, amortization and interest for 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario, unaudited for the four month period ended September 30, 1997 and for the year ended December 31, 1996 and audited for the five month period ended May 31, 1997;
- (v) schedules of net operating income before depreciation, amortization and interest for 236 Dixon Road, Etobicoke, Ontario, unaudited for the eight month period ended September 30, 1997 and for the year ended December 31, 1996;
- (w) schedules of net operating income before depreciation, amortization and interest for 921, 923 and 925 St. Clair Avenue, Toronto, Ontario, unaudited for the eleven month period ended September 30, 1997 and for the year ended October 31, 1996;
- (x) schedules of net operating income before depreciation, amortization and interest for 7 and 9 Roanoke Road, North York, Ontario, unaudited for the seven month period ended September 30, 1997 and for the year ended November 30, 1996;
- (y) schedules of net operating income before depreciation, amortization and interest for 1004 Lawrence Avenue East, North York, Ontario, unaudited for the three months ended September 30, 1997 and for the year ended June 30, 1997; and
- (z) schedules of net operating income before depreciation, amortization and interest for 56 to 58 Cassandra Boulevard, North York, Ontario, unaudited for the seven month period ended September 30, 1997 and for the year ended November 30, 1996.

Certain of the properties have recently been acquired by owners who appointed Greenwin Property Management Inc. or Lehndorff Tandem Management Inc. as property manager. Accordingly, full historical financial information is not available with respect to 111 Davisville Avenue, Toronto, Ontario; 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario; 236 Dixon Road, Etobicoke, Ontario; 921, 923 and 925 St. Clair Avenue, Toronto, Ontario; 7 and 9 Roanoke Road, North York, Ontario; 1004 Lawrence Avenue East, North York, Ontario; and 56 to 58 Cassandra Boulevard, North York, Ontario and in these instances the historical information presented may be incomplete and may not be audited or reviewed.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the balance sheet of Residential Equities Real Estate Investment Trust ("RESREIT") as at October 24, 1997. This balance sheet is the responsibility of the RESREIT's management. Our responsibility is to express an opinion on the balance sheet 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 balance sheet 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 balance sheet presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of RESREIT as at October 24, 1997 in accordance with generally accepted accounting principles.

North York, Ontario
January 28, 1998

Coopers & Lybrand
Chartered Accountants

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

Balance Sheet
As at October 24, 1997

Assets	
Cash	<u>\$20</u>
Equity	
Unitholders' Equity (note 3)	<u>\$20</u>

Signed on behalf of the Trustees:

(Signed) JOHN M. SCOTT
Trustee

(Signed) KLAUS VOGEL
Trustee

The notes form an integral part of the balance sheet.

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

Notes to Balance Sheet

As at October 24, 1997

1. Formation of RESREIT

RESREIT is an unincorporated closed-end investment trust governed by the laws of the Province of Ontario, created pursuant to the Declaration of Trust dated October 24, 1997, as amended and restated on January 28, 1998.

2. Summary of significant accounting policies

The balance sheet has been prepared in accordance with generally accepted accounting principles and reflects the following significant policies:

(a) Income properties

Income properties are recorded at the lower of cost less accumulated depreciation and net recoverable amount. Cost of the properties includes all amounts relating to the acquisition and improvement of the properties.

Depreciation on building is recorded on a 5% sinking fund basis to fully amortize the cost of buildings over 40 years. Major capital expenditures are depreciated over their estimated useful lives ranging from five to forty years.

(b) Prepaid rents

Prepaid rents paid on acquisition of leasehold interests are deferred and amortized over the 35 year term of the leases.

(c) Deferred financing costs

Financing costs are deferred and amortized on a straight-line basis over the term of the related financing.

3. Unitholders' equity

Authorized –

Unlimited voting units

Issued – \$20

The unitholders participate pro rata in distributions of income and, in the event of the termination of RESREIT, participate pro rata in the net assets remaining after satisfaction of all liabilities of RESREIT.

4. Subsequent Events

(a) On January 28, 1998 RESREIT signed an agency agreement to issue through an initial public offering 19,670 units for total proceeds of \$196,700, less agents' fees and expenses of the offering estimated at \$10,964.

(b) On Closing, RESREIT will enter into the Advisory Agreement and the Property Management Agreement and will establish a Unit Option Plan.

(i) The Advisor will manage the day to day operations of RESREIT for an initial term of five years renewable automatically for further five year terms unless terminated. The Advisor's fees will be an annual fee equal to 0.65% of adjusted book value up to \$150 million and 0.50% thereafter. In addition, the Advisor will also be entitled to incentive, investment and disposition fees.

(ii) The Property Manager will have general responsibility for the overall management and operation of the Properties. The initial term of the agreement is five years, renewable automatically for successive one year terms unless terminated. The Property Manager's fees will be calculated as 3.5% of the revenues of the income Properties.

(iii) A unit option plan will be established whereby Trustees and officers of RESREIT, directors, officers and employees of the Advisor, the general partner of the Advisor, the Property Manager, the general partner of the Property Manager and persons or companies engaged to provide ongoing management or consulting services for RESREIT may be granted unit options with a maximum term of five years at exercise prices not less than the market value of the Units at the time of grant. The maximum number of Units initially reserved for issuance will be equal to 10% of the outstanding Units.

Options in respect of an aggregate of 1,600,000 Units have been issued to the Trustees, the directors, officers and employees of RESREIT, the Advisor, the general partner of the Advisor, the Property Manager and the general partner of the Property Manager at the offering price under this Prospectus.

(c) In November 1997, RESREIT entered into various purchase agreements pursuant to which it will acquire freehold properties for \$241,836 satisfied by \$82,647 in cash, \$134,176 in mortgage financing and \$25,013 of units of RESREIT. Acquisition and related costs of \$3,100 will be capitalized.

(d) On January 28, 1998 RESREIT entered into various lease agreements pursuant to which it will acquire leasehold interests in the ground lease properties and the Leasehold Properties in the amount of \$127,519 with a lease term of 35 years satisfied by \$47,477 in cash, \$55,555 in mortgage financing and \$24,487 of units in RESREIT. Acquisition and related costs of \$255 have been capitalized.

COMPILATION REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of Residential Equities Real Estate Investment Trust as at October 24, 1997 which has been prepared for inclusion in the prospectus 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 transactions and the assumptions described in the notes thereto.

North York, Ontario
January 28, 1998

(Signed) COOPERS & LYBRAND
Chartered Accountants

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

**Pro Forma Balance Sheet
As at October 24, 1997
(unaudited, in thousands)**

	<u>October 24, 1997</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma October 24, 1997</u>
	(audited)	(note 2)	
Assets			
Income properties (note 5)	\$	\$241,836	\$241,836
Prepaid rents (note 6)		127,519	127,519
Prepaid property taxes		989	989
Instalment Receipt receivable	—	55,532	55,532
Cash	—	2,550	2,550
	<u>\$ —</u>	<u>\$428,426</u>	<u>\$428,426</u>
Liabilities and Equity			
Liabilities			
Mortgages payable (note 7)	\$	\$189,731	\$189,731
Instalment Loan payable (note 8)		49,000	49,000
Security deposits and other liabilities		7,307	7,307
	—	246,038	246,038
Unitholders' Equity (note 9)	—	182,388	182,388
	<u>\$ —</u>	<u>\$428,426</u>	<u>\$428,426</u>

Signed on behalf of the Trustee:

(Signed) ALBERT J. LATNER
Trustee

(Signed) JOHN M. SCOTT
Trustee

The notes form an integral part of the pro forma balance sheet.

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

Notes to the Pro Forma Balance Sheet As at October 24, 1997 (unaudited, in thousands)

1. Basis of presentation

The accompanying pro forma balance sheet as at October 24, 1997 has been prepared from information derived from the balance sheet of RESREIT and the adjustments outlined in note 2 below.

2. Pro forma adjustments

The proforma balance sheet as at October 24, 1997 has been prepared as if the following proposed transactions had been completed as of the balance sheet date.

- (a) The issuance of 19,670 Units (including 4,950 fully paid Units) for total proceeds of \$196,700, (including \$49,500 fully paid Units), less Agents' Fees and expenses of the Offering estimated at \$10,964. Under the terms of the Offering, 60% of the issue price of each Unit (other than those fully paid), totalling \$88,320, is receivable at the time of issue and 40%, or \$58,880 is receivable on the first anniversary of the date of issue. RESREIT anticipates obtaining a one year non-revolving Instalment Receipt loan of a maximum of \$69,000 at one year Bankers Acceptances plus 100 basis points (6.03% as at January 23, 1998) to finance the Instalment Receipts receivable. The Instalment Receipts receivable is non-interest bearing and has been discounted at the same rate as the Instalment Receipt loan with the discount deducted from Unitholders equity.

If holders of the Instalment Receipts do not pay the final instalment, their Units may be acquired by RESREIT and the Selling Unitholder, pro rata, or sold with the registered holder remaining liable to RESREIT and the Selling Unitholder, pro rata for any deficiency.

- (b) The acquisition of the Freehold Properties for \$241,836 satisfied by \$82,647 in cash, \$134,176 in mortgage financing and \$25,013 of units in RESREIT. Acquisition and related costs of \$3,100 have been capitalized.
- (c) The acquisition of leasehold interests in the Ground Lease Properties and the Leasehold Properties in the amount of \$127,519 with a lease term of 35 years satisfied by \$47,477 in cash, \$55,555 in mortgage financing and \$24,487 of Units in RESREIT. Acquisition and related costs of \$255 have been capitalized.

3. Formation of RESREIT

RESREIT is an unincorporated closed-end investment trust governed by the laws of the Province of Ontario, created pursuant to the Declaration of Trust dated October 24, 1997 as amended and restated on January 28, 1998.

4. Summary of significant accounting policies

The balance sheet has been prepared in accordance with generally accepted accounting principles and reflects the following significant policies:

(a) Income properties

Income properties are recorded at the lower of cost less accumulated depreciation and net recoverable amount. Cost of the properties includes all amounts relating to the acquisition and improvement of the properties.

Depreciation on buildings is recorded based on a 5% sinking fund basis to fully amortize the cost of buildings over 40 years and major capital expenditures are depreciated over their estimated useful lives ranging from five years to forty years.

(b) Prepaid rents

Prepaid rents paid on acquisition of leasehold interests are deferred and amortized on a straight-line basis over the 35 year term of the leases.

(c) Deferred financing costs

Financing costs are deferred and amortized on a straight-line basis over the terms of the related financing.

5. Income properties

Income properties consist of the following:

Land	\$ 36,275
Building	<u>205,561</u>
	<u>\$241,836</u>

6. Prepaid rents

Prepaid rents paid on the acquisition of leasehold interests amounted to \$127,519.

7. Mortgages payable

Mortgages payable bear interest at a weighted average rate of 6.53% per annum, ranging from 5.32% to 7.53%, and mature at various times from 1998 to 2007 with a weighted average term to maturity of five years. The income properties have been pledged as security. Future principal repayments are as follows:

Year ending December 31:	
1998	3,638
1999	20,343
2000	47,784
2001	35,211
2002	26,286
Subsequent to 2002	56,469
	\$189,731

The Advisor anticipates a mortgage of \$2,357 which matures in 1998 will be refinanced at 6.25% (6.9% currently) and on the same terms and conditions.

The estimated fair value of RESREIT's mortgages payable approximate their carrying value as at January 23, 1998.

8. Instalment loan payable

The instalment loan bears interest at one year Bankers Acceptances plus 100 basis points (6.03% as at January 23, 1998) and is due in February 1999. The total loan available is \$69,000, of which \$49,000 will be advanced on Closing. The Instalment Receipts receivable has been pledged as collateral security for the loan.

9. Unitholders' Equity

Authorized –

Unlimited voting units

Issued –

19,670,002 voting units	\$182,388
-------------------------------	-----------

RESREIT will adopt a unit option plan whereby Trustees and officers of RESREIT, directors, officers and employees of the Advisor, the general partner of the Advisor, the Property Manager, the general partner of the Property Manager or persons or companies engaged to provide ongoing management or consulting services for RESREIT, all as selected by the RESREIT Trustees, may be granted unit options with a maximum term of five years exercisable at a price not less than the market value of the Units at the date of grant. The maximum number of Units initially reserved for issuance will be equal to 10% of the outstanding Units.

Options in respect of 1,600,000 Units have been issued to the Trustees, directors, officers and employees of RESREIT, the general partner of the Advisor and the general partner of the property manager at the offering price under this Prospectus.

The unitholders participate pro rata in distributions of income and in the event of the termination of RESREIT, participate pro rata in the net assets remaining after satisfaction of all liabilities of RESREIT.

10. Related party transaction

RESREIT will enter into an agreement with LT Greenwin Property Management to provide property management services for a fee of 3.5% of the gross rental revenues from the Properties. The initial term is five years and will be automatically renewed for successive one year terms unless terminated in accordance with the agreement.

RESREIT will enter into an advisory agreement among LT Greenwin Advisor and LT Greenwin Advisor Inc. to manage the day-to-day operations of RESREIT. The initial term is five years which will be automatically renewed for successive five year terms unless terminated in accordance with the agreement.

The Property Manager and the Advisor are owned as to 50% by Greenwin Property Management Inc. and as to 50% by Lehndorff Tandem Management Inc.

COMPILATION REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed, as to compilation only, the accompanying pro forma schedule of net operating income before depreciation, amortization and interest of Residential Equities Real Estate Investment Trust for the year ended December 31, 1996 which has been prepared for inclusion in the prospectus relating to the sale and issue of units. In our opinion, the pro forma schedule of net operating income before depreciation, amortization and interest has been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

North York, Ontario,
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST
PRO FORMA SCHEDULE OF NET OPERATING INCOME BEFORE DEPRECIATION,
AMORTIZATION AND INTEREST

FOR THE YEAR ENDED DECEMBER 31, 1996
(Unaudited, in thousands)

	5200 Lakeshore Road, Burlington, ON	1055 Bloor St., Mississauga, ON	Dunster/ Tonbridge Portfolio Mississauga, ON	25 Bay Mills Boulevard Scarborough, ON	6707 Elbow Drive S.W., Calgary, AB	924 7th Avenue S.W., Calgary, AB	8510 111th Street Calgary, AB	1959 to 1999 Marine Drive Vancouver, B.C.	10 San Romanoway North York, ON
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Operating revenues									
Revenues from income properties	\$693	\$3,350	\$5,666	\$3,095	\$2,877	\$1,088	\$1,825	\$4,992	\$4,159
Operating expenses									
Realty taxes	72	395	672	668	206	63	128	290	1,037
Property operating expenses ..	282	993	2,174	941	1,798	650	697	2,497	1,733
Property management fees ..	24	143	218	165	114	44	73	200	155
	<u>378</u>	<u>1,531</u>	<u>3,064</u>	<u>1,774</u>	<u>2,118</u>	<u>757</u>	<u>898</u>	<u>2,987</u>	<u>2,925</u>
Net operating, income before depreciation, amortization and interest	<u>\$315</u>	<u>\$1,819</u>	<u>\$2,602</u>	<u>\$1,321</u>	<u>\$ 759</u>	<u>\$ 331</u>	<u>\$ 927</u>	<u>\$2,005</u>	<u>\$1,234</u>
		500 Murray Ross Parkway, North York, ON	33 Davisville Avenue Toronto, ON	111 Davisville Avenue Toronto, ON	33 Orchardview Blvd. Toronto, ON	411 Duplex Avenue Toronto, ON	77 Huntley Street Toronto, ON	88 Isabella St. Toronto, ON	1 and 23 Oriole Rd. Toronto, ON
		(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Operating revenues									
Revenues from income properties		\$4,004	\$1,967	\$3,082	\$2,918	\$4,185	\$5,228	\$1,019	\$1,259
Operating expenses									
Realty taxes		923	557	776	790	711	1,464	205	267
Property operating expenses		1,064	775	1,009	1,121	1,293	1,801	516	598
Property management fees		213	63	125	124	180	170	29	62
		<u>2,200</u>	<u>1,395</u>	<u>1,910</u>	<u>2,035</u>	<u>2,184</u>	<u>3,435</u>	<u>750</u>	<u>927</u>
Net operating income before depreciation, amortization and interest		<u>\$1,804</u>	<u>\$ 572</u>	<u>\$1,172</u>	<u>\$ 883</u>	<u>\$2,001</u>	<u>\$1,793</u>	<u>\$ 269</u>	<u>\$ 332</u>
		100, 101, 200 and 201 White Oaks Court Whitby, ON	236 Dixon Road Etobicoke, ON	921, 923 and 925 St. Clair Avenue Toronto, ON	7 and 9 Roanoke North York, ON	1004 Lawrence Avenue East North York, ON	56 to 58 Cassandra Blvd. North York, ON	Pro Forma	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Operating revenues									
Revenues from income properties		\$6,027	\$1,045	\$395	\$1,898	\$584	\$1,713	\$63,069	
Operating expenses									
Realty taxes		1,000	249	79	364	97	341	11,354	
Property operating expenses		2,388	289	163	646	174	477	24,079	
Property management fees		239	42	15	128	22	119	2,667	
		<u>3,627</u>	<u>580</u>	<u>257</u>	<u>1,138</u>	<u>293</u>	<u>937</u>	<u>38,100</u>	
Net operating, income before depreciation, amortization and interest		<u>\$2,400</u>	<u>\$ 465</u>	<u>\$138</u>	<u>\$ 760</u>	<u>\$291</u>	<u>\$ 776</u>	<u>\$24,969</u>	

The notes form an integral part of this pro forma schedule.

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

Notes to the Pro Forma Schedule of Net Operating Income Before Depreciation, Amortization and Interest For the Year Ended December 31, 1996 (unaudited, in thousands)

1. Basis of presentation

The accompanying pro forma schedule of net operating income before depreciation, amortization and interest for the year ended December 31, 1996 has been prepared from information derived from the schedules of net operating income before depreciation, amortization and interest of the income properties to be acquired or leased.

This pro forma schedule of net operating income before depreciation, amortization and interest for the year ended December 31, 1996 reflects the combination of the historical schedules of net operating income before depreciation, amortization and interest of the income properties to be acquired or leased for the following periods:

- (a) 5200 Lakeshore Road, Burlington, Ontario for the year ended December 31, 1996;
- (b) 1055 Bloor Street, Mississauga, Ontario for the year ended December 31, 1996;
- (c) Dunster/Tonbridge Portfolio, Mississauga, Ontario for the year ended December 31, 1996;
- (d) 25 Bay Mills Boulevard, Scarborough, Ontario for the year ended December 31, 1996;
- (e) 6707 Elbow Drive S.W., Calgary, Alberta for the year ended December 31, 1996;
- (f) 924 7th Avenue S.W., Calgary, Alberta for the year ended December 31, 1996;
- (g) 8510 111th Street, Edmonton, Alberta for the year ended December 31, 1996;
- (h) 1959 to 1999 Marine Drive, Vancouver, B.C. for the year ended December 31, 1996;
- (i) 10 San Romanoway, North York, Ontario for the year ended December 31, 1996;
- (j) 500 Murray Ross Parkway, North York, Ontario for the year ended December 31, 1996;
- (k) 33 Davisville Avenue, Toronto, Ontario for the year ended December 31, 1996;
- (l) 111 Davisville Avenue, Toronto, Ontario for the year ended July 31, 1996;
- (m) 33 Orchardview Boulevard, Toronto, Ontario for the year ended December 31, 1996;
- (n) 411 Duplex Avenue, Toronto, Ontario for the year ended December 31, 1996;
- (o) 77 Huntley Street, Toronto, Ontario for the year ended December 31, 1996;
- (p) 88 Isabella Street, Toronto, Ontario for the year ended May 31, 1997;
- (q) 1 and 23 Oriole Road, Toronto, Ontario for the year ended May 31, 1997;
- (r) 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario for the year ended December 31, 1996;
- (s) 236 Dixon Road, Etobicoke, Ontario for the year ended December 31, 1996;
- (t) 921, 923 and 925 St. Clair Avenue, Toronto, Ontario for the year ended October 31, 1996;
- (u) 7 and 9 Roanoke Road, North York, Ontario for the year ended November 30, 1996;
- (v) 1004 Lawrence Avenue East, North York, Ontario for the year ended June 30, 1997; and
- (w) 56 to 58 Cassandra Boulevard, North York, Ontario for the year ended November 30, 1996.

This pro forma schedule of net operating income before depreciation, amortization and interest should be read in conjunction with the historical schedules of net operating income before depreciation, amortization and interest of the above noted properties contained elsewhere in this Prospectus, including the notes thereto.

This schedule does not include expenses of a general and administrative nature relating to the operation of RESREIT.

As there are no transactions between the respective Properties, pro forma adjustments are not required.

2. Summary of significant accounting policies

The accounting policies adhered to in this statement are consistent with those set out in the individual historical statements of the above noted properties.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 5200 Lakeshore Road, Burlington, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 5200 Lakeshore Road, Burlington, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
February 7, 1997

(Signed) SEGAL & PARTNERS
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 5200 Lakeshore Road, Burlington, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**5200 LAKESHORE ROAD,
BURLINGTON, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)	(Audited)		
Operating revenues:				
Revenues from income property	\$537	\$693	\$665	\$619
Operating expenses:				
Realty taxes	68	72	101	100
Property operating expenses	123	282	330	296
Property management fees	<u>20</u>	<u>24</u>	<u>24</u>	<u>20</u>
	<u>211</u>	<u>378</u>	<u>455</u>	<u>416</u>
Net Operating income before depreciation, amortization and interest	<u>\$326</u>	<u>\$315</u>	<u>\$210</u>	<u>\$203</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 5200 Lakeshore Road, Burlington, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 1055 Bloor Street, Mississauga, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 1055 Bloor Street, Mississauga, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
February 24, 1997

(Signed) SEGAL & PARTNER
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 1055 Bloor Street, Mississauga, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**1055 BLOOR STREET
MISSISSAUGA, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$2,562	\$3,350	\$3,286	\$3,209
Operating expenses:				
Realty taxes	293	395	390	380
Property operating expenses	688	993	987	962
Property management fees	109	143	141	137
	<u>1,090</u>	<u>1,531</u>	<u>1,518</u>	<u>1,479</u>
Net Operating income before depreciation, amortization and interest	<u>\$1,472</u>	<u>\$1,819</u>	<u>\$1,768</u>	<u>\$1,730</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 1055 Bloor Street, Mississauga, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the properties known as Dunster/Tonbridge Portfolio, Mississauga, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the properties' management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the properties known as Dunster/Tonbridge Portfolio, Mississauga, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
February 21, 1997

(Signed) SEGAL & PARTNER
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as Dunster/Tonbridge Portfolio, Mississauga, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**DUNSTER/TONBRIDGE PORTFOLIO,
MISSISSAUGA, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$4,419	\$5,666	\$5,580	\$5,253
Operating expenses:				
Realty taxes	521	672	664	658
Property operating expenses	1,573	2,174	2,085	2,143
Property management fees	177	218	232	208
	<u>2,271</u>	<u>3,064</u>	<u>2,981</u>	<u>3,009</u>
Net Operating income before depreciation, amortization and interest	<u>\$2,148</u>	<u>\$2,602</u>	<u>\$2,599</u>	<u>\$2,244</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as Dunster/Tonbridge Portfolio, Mississauga, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 25 Bay Mills Boulevard, Scarborough, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 25 Bay Mills Boulevard, Scarborough, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
March 14, 1997

(Signed) SEGAL & PARTNER
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 25 Bay Mills Boulevard, Scarborough, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**25 BAY MILLS BOULEVARD,
SCARBOROUGH, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$2,348	\$3,095	\$3,010	\$2,952
Operating expenses:				
Realty taxes	501	668	688	693
Property operating expenses	772	941	897	770
Property management fees	100	165	193	189
	<u>1,373</u>	<u>1,774</u>	<u>1,778</u>	<u>1,652</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 975</u>	<u>\$1,321</u>	<u>\$1,232</u>	<u>\$1,300</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 25 Bay Mills Boulevard, Scarborough, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 6707 Elbow Drive S.W., Calgary, Alberta for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 6707 Elbow Drive S.W., Calgary, Alberta, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 7, 1997

(Signed) KPMG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 6707 Elbow Drive S.W. Calgary, Alberta for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**6707 ELBOW DRIVE S.W.,
CALGARY, ALBERTA**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$2,262	\$2,877	\$2,785	\$2,736
Operating expenses:				
Realty taxes	156	206	209	263
Property operating expenses	1,409	1,798	1,393	1,577
Property management fees	91	114	121	143
	<u>1,656</u>	<u>2,118</u>	<u>1,723</u>	<u>1,983</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 606</u>	<u>\$ 759</u>	<u>\$1,062</u>	<u>\$ 753</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 6707 Elbow Drive S.W., Calgary, Alberta, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 924 7th Avenue S.W., Calgary, Alberta for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 924 7th Avenue S.W., Calgary, Alberta, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 7, 1997

(Signed) KPMG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 924 7th Avenue S.W., Calgary, Alberta for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**924 7th AVENUE S.W.,
CALGARY, ALBERTA**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)	(Audited)		
Operating revenues:				
Revenues from income property	\$858	\$1,088	\$1,005	\$966
Operating expenses:				
Realty taxes	72	63	112	152
Property operating expenses	498	650	533	548
Property management fees	34	44	24	—
	<u>604</u>	<u>757</u>	<u>669</u>	<u>700</u>
Net Operating income before depreciation, amortization and interest	<u>\$254</u>	<u>\$ 331</u>	<u>\$ 336</u>	<u>\$266</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 924 7th Avenue S.W., Calgary, Alberta, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 8510 111th Street, Edmonton, Alberta for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 8510 111th Street, Edmonton, Alberta, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 7, 1997

(Signed) KPMG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 8510 111th Street, Edmonton, Alberta for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**8510 111th STREET,
EDMONTON, ALBERTA**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$1,310	\$1,825	\$1,829	\$1,953
Operating expenses:				
Realty taxes	121	128	221	223
Property operating expenses	485	697	563	559
Property management fees	52	73	41	—
	<u>658</u>	<u>898</u>	<u>825</u>	<u>782</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 652</u>	<u>\$ 927</u>	<u>\$1,004</u>	<u>\$1,171</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 8510 111th Street, Edmonton, Alberta, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the properties known as 1959 to 1999 Marine Drive, Vancouver, British Columbia for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the properties' management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the properties known as 1959 to 1999 Marine Drive, Vancouver, British Columbia for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 7, 1997

(Signed) KPMG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 1959 to 1999 Marine Drive, Vancouver, British Columbia for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**1959 TO 1999 MARINE DRIVE,
VANCOUVER, BRITISH COLUMBIA**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>(Unaudited)</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Operating revenues:			(Audited)	
Revenues from income property	\$4,016	\$4,992	\$4,767	\$4,705
Operating expenses:				
Realty taxes	205	290	288	289
Property operating expenses	1,733	2,497	2,225	2,063
Property management fees	160	200	191	188
	<u>2,098</u>	<u>2,987</u>	<u>2,704</u>	<u>2,540</u>
Net Operating income before depreciation, amortization and interest	<u>\$1,918</u>	<u>\$2,005</u>	<u>\$2,063</u>	<u>\$2,165</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 1959 to 1999 Marine Drive, Vancouver, British Columbia prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 10 San Romanoway, North York, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 10 San Romanoway, North York, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
March 12, 1997

(Signed) ARTHUR ANDERSEN & CO.
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 10 San Romanoway, North York, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**10 SAN ROMANOWAY,
NORTH YORK, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$3,144	\$4,159	\$4,120	\$4,001
Operating expenses:				
Realty taxes	784	1,037	1,025	1,001
Property operating expenses	1,288	1,733	1,670	1,730
Property management fees	117	155	154	149
	<u>2,189</u>	<u>2,925</u>	<u>2,849</u>	<u>2,880</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 955</u>	<u>\$1,234</u>	<u>\$1,271</u>	<u>\$1,121</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 10 San Romanoway, North York, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 500 Murray Ross Parkway, North York, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 500 Murray Ross Parkway, North York, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
March 5, 1997

(Signed) BDO DUNWOODY
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 500 Murray Ross Parkway, North York, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**500 MURRAY ROSS PARKWAY,
NORTH YORK, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$2,972	\$4,004	\$3,984	\$3,927
Operating expenses:				
Realty taxes	698	923	913	887
Property operating expenses	801	1,064	1,101	1,094
Property management fees	159	213	211	206
	<u>1,658</u>	<u>2,200</u>	<u>2,225</u>	<u>2,187</u>
Net Operating income before depreciation, amortization and interest	<u>\$1,314</u>	<u>\$1,804</u>	<u>\$1,759</u>	<u>\$1,740</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 500 Murray Ross Parkway, North York, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 33 Davisville Avenue, Toronto, Ontario for the years ended December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 33 Davisville Avenue, Toronto, Ontario, for the years ended December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
May 17, 1996

(Signed) PRICE WATERHOUSE
Chartered Accountants

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedule of net operating income before depreciation, amortization and interest of the property known as 33 Davisville Avenue, Toronto, Ontario for the year ended December 31, 1996. This schedule is the responsibility of the property's management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, this schedule presents fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 33 Davisville Avenue, Toronto, Ontario, for the year ended December 31, 1996 in accordance with generally accepted accounting principles.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 33 Davisville Avenue, Toronto, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**33 DAVISVILLE AVENUE
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended	For the Years Ended		
	September 30, 1997	1996	1995	1994
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	<u>\$1,538</u>	<u>\$1,967</u>	<u>\$1,855</u>	<u>\$1,976</u>
Operating expenses:				
Realty taxes	422	557	552	504
Property operating expenses	527	775	711	1,103
Property management fees	<u>49</u>	<u>63</u>	<u>99</u>	<u>106</u>
	<u>998</u>	<u>1,395</u>	<u>1,362</u>	<u>1,713</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 540</u>	<u>\$ 572</u>	<u>\$ 493</u>	<u>\$ 263</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 33 Davisville Avenue, Toronto, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedule of net operating income before depreciation, amortization and interest of the property known as 111 Davisville Avenue, Toronto, Ontario for the eleven month period ended June 30, 1997 and for the years ended July 31, 1996 and July 31, 1995. This schedule is the responsibility of the property's management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, this schedule presents fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 111 Davisville Avenue, Toronto, Ontario, for the eleven month period ended June 30, 1997 and for the years ended July 31, 1996 and July 31, 1995 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 10, 1997

(Signed) ERNST & YOUNG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 111 Davisville Avenue, Toronto, Ontario for the three month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**111 DAVISVILLE AVENUE
TORONTO, ONTARIO**

Schedule of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Three Month Period Ended September 30, 1997	For the Eleven Month Period Ended June 30, 1997	For the Years Ended July 31,	
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>1996</u>	<u>1995</u>
Operating revenues:				
Revenues from income property	\$822	\$2,896	\$3,082	\$2,976
Operating expenses:				
Realty taxes	196	717	776	730
Property operating expenses	248	1,181	1,009	1,134
Property management fees	<u>26</u>	<u>93</u>	<u>125</u>	<u>158</u>
	<u>470</u>	<u>1,991</u>	<u>1,910</u>	<u>2,022</u>
Net Operating income before depreciation, amortization and interest	<u>\$352</u>	<u>\$ 905</u>	<u>\$1,172</u>	<u>\$ 954</u>

Basis of presentation and accounting

This schedule reflects the rental operations of the property known as 111 Davisville Avenue, Toronto, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owners.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in this schedule. No provision has been made for income taxes, the liability for which is the responsibility of the owners.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 33 Orchardview Boulevard, Toronto, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 33 Orchardview Boulevard, Toronto, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
September 8, 1997

(Signed) HORWARTH ORENSTEIN
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 33 Orchardview Boulevard, Toronto, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**33 ORCHARDVIEW BOULEVARD,
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$2,266	\$2,918	\$2,828	\$2,777
Operating expenses:				
Realty taxes	506	790	781	763
Property operating expenses	904	1,121	1,077	1,068
Property management fees	<u>96</u>	<u>124</u>	<u>120</u>	<u>118</u>
	<u>1,506</u>	<u>2,035</u>	<u>1,978</u>	<u>1,949</u>
Net Operating income before depreciation, amortization and interest	<u>\$ 760</u>	<u>\$ 883</u>	<u>\$ 850</u>	<u>\$ 828</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 33 Orchardview Boulevard, Toronto, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 411 Duplex Avenue, Toronto, Ontario for the years ended December 31, 1996, December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 411 Duplex Avenue, Toronto, Ontario, for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
September 8, 1997

(Signed) HORWARTH ORENSTEIN
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 411 Duplex Avenue, Toronto, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**411 DUPLEX AVENUE
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$3,339	\$4,185	\$4,128	\$4,010
Operating expenses:				
Realty taxes	589	711	903	881
Property operating expenses	1,039	1,293	1,124	1,197
Property management fees	139	180	172	169
	<u>1,767</u>	<u>2,184</u>	<u>2,199</u>	<u>2,247</u>
Net Operating income before depreciation, amortization and interest	<u>\$1,572</u>	<u>\$2,001</u>	<u>\$1,929</u>	<u>\$1,763</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 411 Duplex Avenue, Toronto, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 77 Huntley Street, Toronto, Ontario for the years ended December 31, 1995 and December 31, 1994. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 77 Huntley Street, Toronto, Ontario, for the years ended December 31, 1995 and December 31, 1994 in accordance with generally accepted accounting principles.

Toronto, Ontario
May 17, 1996

(Signed) PRICE WATERHOUSE
Chartered Accountants

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedule of net operating income before depreciation, amortization and interest of the property known as 77 Huntley Street, Toronto, Ontario for the year ended December 31, 1996. This schedule is the responsibility of the property's management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, this schedule presents fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 77 Huntley Street, Toronto, Ontario, for the year ended December 31, 1996 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 77 Huntley Street, Toronto, Ontario for the nine month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**77 HUNTLEY STREET,
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Nine Month Period Ended September 30, 1997	For the Years Ended December 31,		
	<u>September 30, 1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Unaudited)		(Audited)	
Operating revenues:				
Revenues from income property	\$4,126	\$5,228	\$5,144	\$4,953
Operating expenses:				
Realty taxes	1,097	1,464	1,447	1,316
Property operating expenses	1,269	1,801	1,631	1,676
Property management fees	135	170	260	261
	<u>2,501</u>	<u>3,435</u>	<u>3,338</u>	<u>3,253</u>
Net Operating income before depreciation, amortization and interest	<u>\$1,625</u>	<u>\$1,793</u>	<u>\$1,806</u>	<u>\$1,700</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 77 Huntley Street, Toronto, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the property known as 88 Isabella Street, Toronto, Ontario for the years ended May 31, 1996, and May 31, 1995. These schedules are the responsibility of the property's management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 88 Isabella Street, Toronto, Ontario, for the years ended May 31, 1996 and May 31, 1995 in accordance with generally accepted accounting principles.

Toronto, Ontario
July 5, 1996

(Signed) PRICE WATERHOUSE
Chartered Accountants

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedule of net operating income before depreciation, amortization and interest of the property known as 88 Isabella Street, Toronto, Ontario for the year ended May 31, 1997. This schedule is the responsibility of the property's management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, this schedule presents fairly, in all material respects, the net operating income before depreciation, amortization and interest of the property known as 88 Isabella Street, Toronto, Ontario, for the year ended May 31, 1997 in accordance with generally accepted accounting principles.

Toronto, Ontario
August 13, 1997

(Signed) ERNST & YOUNG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 88 Isabella Street, Toronto, Ontario for the four month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**88 ISABELLA STREET,
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Four Month Period Ended September 30, 1997	For the Years Ended May 31,		
	<u>September 30, 1997</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
	(Unaudited)	(Audited)		
Operating revenues:				
Revenues from income property	\$445	\$1,019	\$897	\$905
Operating expenses:				
Realty taxes	69	205	203	171
Property operating expenses	165	516	512	570
Property management fees	<u>12</u>	<u>29</u>	<u>37</u>	<u>43</u>
	<u>246</u>	<u>750</u>	<u>752</u>	<u>784</u>
Net Operating income before depreciation, amortization and interest	<u>\$199</u>	<u>\$ 269</u>	<u>\$145</u>	<u>\$121</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 88 Isabella Street, Toronto, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the properties known as 1 and 23 Oriole Road, Toronto, Ontario for the years ended May 31, 1997, May 31, 1996 and May 31, 1995. These schedules are the responsibility of the properties' management. Our responsibility is to express an opinion on these schedules 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, these schedules present fairly, in all material respects, the net operating income before depreciation, amortization and interest of the properties known as 1 and 23 Oriole Road, Toronto, Ontario, for the years ended May 31, 1997, May 31, 1996 and May 31, 1995 in accordance with generally accepted accounting principles.

Toronto, Ontario
September 12, 1997

(Signed) SOBERMAN ISENBAUM & COLOMBY
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 1 and 23 Oriole Road, Toronto, Ontario for the four month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**1 AND 23 ORIOLE ROAD,
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Four Month Period Ended September 30, 1997	For the Years Ended May 31,		
	<u>(Unaudited)</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Operating revenues:				
Revenues from income property	\$425	\$1,259	\$1,216	\$1,152
Operating expenses:				
Realty taxes	90	267	276	257
Property operating expenses	178	598	571	564
Property management fees	<u>20</u>	<u>62</u>	<u>59</u>	<u>47</u>
	<u>288</u>	<u>927</u>	<u>906</u>	<u>868</u>
Net Operating income before depreciation, amortization and interest	<u>\$137</u>	<u>\$ 332</u>	<u>\$ 310</u>	<u>\$ 284</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 1 and 23 Oriole Road, Toronto, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

NOTICE TO READER

We have compiled the schedule of net operating income before depreciation, amortization and interest of the properties known as 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario for the year ended December 31, 1996 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this schedule may not be appropriate for their purposes.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

AUDITORS' REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have audited the schedules of net operating income before depreciation, amortization and interest of the properties known as 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario for the five month period ended May, 31, 1997. This schedule is the responsibility of the properties' management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule.

In our opinion, this schedule presents fairly, in all material respects, the net operating income before depreciation, amortization and interest of the properties known as 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario, for the five month period ended May 31, 1997 in accordance with generally accepted accounting principles.

Toronto, Ontario
October 7, 1997

(Signed) KPMG
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario for the four month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**100, 101, 200 AND 201 WHITE OAKS COURT
WHITBY, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Four Month Period Ended September 30, 1997	For the Five Month Period Ended May 31, 1997	For the Year Ended December 31, 1996
	(Unaudited)	(Audited)	(Unaudited)
Operating revenues:			
Revenues from income property	<u>\$2,155</u>	<u>\$2,615</u>	<u>\$6,027</u>
Operating expenses:			
Realty taxes	338	443	1,000
Property operating expenses	697	949	2,388
Property management fees	<u>75</u>	<u>100</u>	<u>239</u>
	<u>1,110</u>	<u>1,492</u>	<u>3,627</u>
Net operating income before depreciation, amortization and interest	<u>\$1,045</u>	<u>\$1,123</u>	<u>\$2,400</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 100, 101, 200 and 201 White Oaks Court, Whitby, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

NOTICE TO READER

We have compiled the schedule of net operating income before depreciation, amortization and interest of the property known as 236 Dixon Road, Etobicoke, Ontario for the year ended December 31, 1996 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this schedule may not be appropriate for their purposes.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the property known as 236 Dixon Road, Etobicoke, Ontario for the eight month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**236 DIXON ROAD
ETOBICOKE, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Eight Month Period Ended September 30, 1997	For the Year Ended December 31, 1996
	(Unaudited)	(Unaudited)
Operating revenues:		
Revenues from income property	<u>\$735</u>	<u>\$1,045</u>
Operating expenses:		
Realty taxes	174	249
Property operating expenses	322	289
Property management fees	<u>30</u>	<u>42</u>
	<u>526</u>	<u>580</u>
Net operating income before depreciation, amortization and interest	<u>\$209</u>	<u>\$ 465</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 236 Dixon Road, Etobicoke, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

NOTICE TO READER

We have compiled the schedule of net operating income before depreciation, amortization and interest of the properties known as 921, 923 and 925 St. Clair Avenue, Toronto, Ontario for the year ended October 31, 1996 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this schedule may not be appropriate for their purposes.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 921, 923 and 925 St. Clair Avenue, Toronto, Ontario for the eleven month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**921, 923 AND 925 ST. CLAIR AVENUE
TORONTO, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Eleven Month Period Ended September 30, 1997	For the Year Ended October 31, 1996
	(Unaudited)	(Unaudited)
Operating revenues:		
Revenues from income property	<u>\$442</u>	<u>\$395</u>
Operating expenses:		
Realty taxes	77	79
Property operating expenses	186	163
Property management fees	<u>14</u>	<u>15</u>
	<u>277</u>	<u>257</u>
Net operating income before depreciation, amortization and interest	<u>\$165</u>	<u>\$138</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 921, 923 and 925 St. Clair Avenue, Toronto, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

NOTICE TO READER

We have compiled the schedule of net operating income before depreciation, amortization and interest of the properties known as 7 and 9 Roanoke Road, North York, Ontario for the year ended November 30, 1996 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this schedule may not be appropriate for their purposes.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 7 and 9 Roanoke Road, North York, Ontario for the seven month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**7 AND 9 ROANOKE ROAD
NORTH YORK, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Seven Month Period Ended September 30, 1997	For the Year Ended November 30, 1996
	(Unaudited)	(Unaudited)
Operating revenues:		
Revenues from income property	<u>\$1,068</u>	<u>\$1,898</u>
Operating expenses:		
Realty taxes	217	364
Property operating expenses	407	646
Property management fees	<u>43</u>	<u>128</u>
	<u>667</u>	<u>1,138</u>
Net operating income before depreciation, amortization and interest	<u>\$ 401</u>	<u>\$ 760</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 7 and 9 Roanoke Road, North York, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedules of net operating income before depreciation, amortization and interest of the property known as 1004 Lawrence Avenue East, North York, Ontario for the three month period ended September 30, 1997 and for the year ended June 30, 1997. Our reviews were made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the property's management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our reviews, nothing has come to our attention that causes us to believe that these schedules of net operating income before depreciation, amortization and interest are not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**1004 LAWRENCE AVENUE EAST
NORTH YORK, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest
(In thousands)

	For the Three Month Period Ended September 30, 1997	For the Year Ended June 30, 1997
	(Unaudited)	(Unaudited)
Operating revenues:		
Revenues from income property	<u>\$148</u>	<u>\$584</u>
Operating expenses:		
Realty taxes	24	97
Property operating expenses	31	174
Property management fees	<u>5</u>	<u>22</u>
	<u>60</u>	<u>293</u>
Net operating income before depreciation, amortization and interest	<u>\$ 88</u>	<u>\$291</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the property known as 1004 Lawrence Avenue East, North York, Ontario prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

NOTICE TO READER

We have compiled the schedule of net operating income before depreciation, amortization and interest of the properties known as 56 to 58 Cassandra Boulevard, North York, Ontario for the year ended November 30, 1996 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that this schedule may not be appropriate for their purposes.

North York, Ontario
October 3, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

REVIEW ENGAGEMENT REPORT

To the Trustees of
Residential Equities Real Estate Investment Trust

We have reviewed the schedule of net operating income before depreciation, amortization and interest of the properties known as 56 to 58 Cassandra Boulevard, North York, Ontario for the seven month period ended September 30, 1997. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the properties' management.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of net operating income before depreciation, amortization and interest.

Based on our review, nothing has come to our attention that causes us to believe that this schedule of net operating income before depreciation, amortization and interest is not, in all material respects, in accordance with generally accepted accounting principles.

North York, Ontario
November 6, 1997

(Signed) COOPERS & LYBRAND
Chartered Accountants

**56 TO 58 CASSANDRA BOULEVARD
NORTH YORK, ONTARIO**

Schedules of Net Operating Income Before Depreciation, Amortization and Interest

(In thousands)

	For the Seven Month Period Ended September 30, 1997	For the Year Ended November 30, 1996
	(Unaudited)	(Unaudited)
Operating revenues:		
Revenues from income property	<u>\$1,016</u>	<u>\$1,713</u>
Operating expenses:		
Realty taxes	193	341
Property operating expenses	371	477
Property management fees	<u>41</u>	<u>119</u>
	<u>605</u>	<u>937</u>
Net operating income before depreciation, amortization and interest	<u>\$ 411</u>	<u>\$ 776</u>

Basis of presentation and accounting

These schedules reflect the rental operations of the properties known as 56 to 58 Cassandra Boulevard, North York, Ontario, prepared in accordance with generally accepted accounting principles and do not purport to show the assets, liabilities and equity or other revenues and expenses of the owner.

Revenues from income property includes rents earned from tenants under lease arrangements and other incidental revenues.

No depreciation or amortization of capital assets or deferred charges, or interest on mortgages are reflected in these schedules. No provision has been made for income taxes, the liability for which is the responsibility of the owner.

CERTIFICATE OF RESREIT AND THE PROMOTERS

Dated: January 28, 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 Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities 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* (Quebec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed.

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

(signed) JOHN M. SCOTT
Chief Executive Officer

(signed) MAURICE KAGAN
Chief Financial Officer

On behalf of the Trustees

(signed) ALBERT LATNER
Trustee

(signed) KLAUS VOGEL
Trustee

THE PROMOTERS

LEHNDORFF TANDEM MANAGEMENT INC.

GREENWIN PROPERTY MANAGEMENT INC.

(signed) JOHN M. SCOTT

(signed) LARRY POPOFSKY

CERTIFICATE OF AGENTS

Dated: January 28, 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 Section 64 of 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* (Quebec) 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.

RBC DOMINION SECURITIES INC.

SCOTIAMCLEOD INC.

(Signed) CAROLYN A. BLAIR

(Signed) STEPHEN SENDER

CIBC WOOD GUNDY SECURITIES INC.

(Signed) GLEN R. SHEAR

NESBITT BURNS INC.

(Signed) SHARM L. POWELL

**HSBC JAMES CAPEL
CANADA INC.**

**LÉVESQUE BEAUBIEN
GEOFFRION INC.**

TD SECURITIES INC.

(Signed) JEFFREY F. OLIN

(Signed) JEAN-GUY BRUNELLE

(Signed) ANDREW G. PHILLIPS

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:

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

SCOTIAMCLEOD INC.: a wholly-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

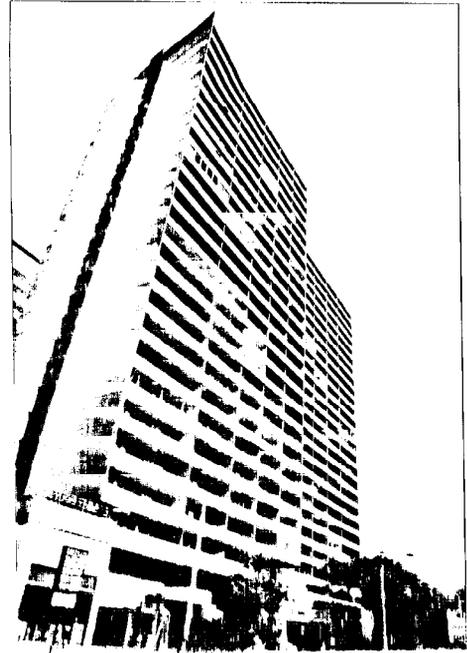
HSBC JAMES CAPEL CANADA INC.: James Capel Canada Holdings Inc., a wholly-owned subsidiary of a Canadian chartered bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque, Beaubien & Company Inc., a majority-owned subsidiary of a Canadian chartered bank; and

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.



2333 Truscott Drive
Mississauga, Ontario



77 Huntley Street
Toronto, Ontario



500 Murray Ross Parkway
North York, Ontario



56-88 Cassandra Boulevard
North York, Ontario



Tonbridge Square
Mississauga, Ontario



7&9 Roanoke Road
North York, Ontario