

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

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

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and accordingly will not be offered, sold or delivered, directly or indirectly within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in limited circumstances. See "Plan of Distribution".*

New Issue

## PRELIMINARY SHORT FORM PROSPECTUS

February 25, 2005



# DUNDEE REAL ESTATE INVESTMENT TRUST

## \$100,000,000

### Series 2005-1 5.7% Convertible Unsecured Subordinated Debentures due March 31, 2015

This short form prospectus qualifies the distribution of \$100,000,000 aggregate principal amount of Series 2005-1 5.7% convertible unsecured subordinated debentures (the "Debentures") due March 31, 2015 (the "Maturity Date") of Dundee Real Estate Investment Trust ("Dundee REIT") at a price of \$1,000 per Debenture. The Debentures will bear interest at an annual rate of 5.7% payable semi-annually on March 31<sup>st</sup> and September 30<sup>th</sup> in each year, commencing September 30, 2005. The first payment on the Debentures will include accrued and unpaid interest for the period from the closing of this offering to September 30, 2005.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures.** Our outstanding REIT Units, Series A (the "Units") are listed on the Toronto Stock Exchange (the "TSX") under the symbol "D.UN". On February 22, 2005, the day before Dundee REIT announced this offering, the closing price of the Units on the TSX was \$26.68.

Dundee REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. Dundee REIT is a provider of high quality, affordable business premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada.

#### Conversion Privilege

Each Debenture will be convertible into Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by Dundee REIT for redemption of the Debentures, at a conversion price of \$30.00 per Unit (the "Conversion Price"), being a ratio of 33.33333 Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their Debentures to the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Details of the Offering — Debentures — Conversion Privilege". **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See "Certain Canadian Federal Income Tax Considerations".**

The Debentures may not be redeemed by Dundee REIT prior to March 31, 2009, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after March 31, 2009, but prior to March 31, 2011, the Debentures may be redeemed, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior notice, provided that the weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after March 31, 2011 and prior to the Maturity Date, the Debentures may be redeemed by Dundee REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

Subject to regulatory approval and provided no event of default has occurred, Dundee REIT may, at its option, upon not more than 60 days' and not less than 40 days' prior written notice, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of freely-tradeable Units. In addition, subject to regulatory approval, Units may be issued to the Debenture Trustee (as defined herein) and sold, with the proceeds used to satisfy the obligations to pay interest on the Debentures. Further particulars concerning the interest, repurchase and maturity provisions of the Debentures are set out under "Details of the Offering".

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to Dundee REIT<sup>(1)</sup></u>
Per Debenture .....	\$1,000.00	\$37.50	\$962.50
<b>Total .....</b>	<b>\$100,000,000.00</b>	<b>\$3,750,000.00</b>	<b>\$96,250,000.00</b>

Notes:

(1) Before deducting expenses of the offering, estimated to be \$700,000 which, together with the underwriters' fee, will be paid from the proceeds of the offering.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

**The earnings coverage ratio in respect of Dundee REIT's indebtedness for the year ended December 31, 2004 after giving effect to the issuance of the Debentures and other items is less than one-to-one. See "Earnings Coverage Ratios".**

Dundee REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Dundee Securities Corporation, National Bank Financial Inc., RBC Dominion Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Trilon Securities Corporation (collectively, the "Underwriters"), as principals, conditionally offer the Debentures, subject to prior sale, if, as and when created, sold and delivered by Dundee REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Torsys LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be available in book-entry only form through the facilities of The Canadian Depository for Securities Limited ("CDS"). Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. Closing is expected to occur on or about April 1, 2005, or such later date as we and the Underwriters may agree, but in any event no later than April 7, 2005.

Dundee Securities Corporation is an indirect subsidiary of Dundee Corporation. Dundee Realty Corporation, a subsidiary of Dundee Corporation, together with its affiliate holds an approximate 32% equity and voting interest in Dundee REIT by virtue of their holding of Special Trust Units of Dundee REIT and limited partnership units of our principal operating subsidiary. Dundee Realty Corporation was also a promoter of Dundee REIT for the purposes of applicable Canadian securities legislation. See "Promoter". **Accordingly, Dundee REIT is a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation. See "Plan of Distribution".**

A return on an investment in Units, in the event you convert Debentures into Units in accordance with their terms, is not comparable to the return on investment in a fixed income security. The recovery of your investment in Units is at risk, and the anticipated return on your investment in Units is based on many performance assumptions. Although Dundee REIT intends to make distributions of its available cash to holders of units, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors disclosed in the continuous disclosure documents of Dundee REIT. In addition, the market value of the Units may decline if Dundee REIT is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for you to consider the particular risk factors that may affect the real estate industry, and therefore the stability of the distributions that holders of units receive in the event you convert Debentures into Units. See, for example, "Risks Inherent in the Real Estate Industry May Affect Our Financial Performance" under the section "Risk Factors" in our annual information form dated April 12, 2004. This section also describes Dundee REIT's assessment of certain of those risk factors, as well as the potential consequences to you if a risk should occur.

The after-tax return to unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by Dundee REIT on its Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a unitholder's cost base in the Unit for tax purposes. The composition may change over time, thus affecting a unitholder's after-tax return. Distributions of the taxable income of Dundee REIT are generally taxed as ordinary income or as dividends in the hands of a unitholder. Distributions in excess of the taxable income of Dundee REIT are generally tax-deferred (and reduce a unitholder's cost base in the Unit for tax purposes).

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<sup>TM</sup> The "Dundee REIT" and "D" design logo are trade-marks of Dundee Realty Corporation and are used under license.

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All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Dundee REIT at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1 (telephone 416-365-3535). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Dundee REIT at the above-noted address and telephone number.

The following documents, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the initial annual information form of Dundee REIT dated April 12, 2004;
- (b) the management information circular of Dundee REIT dated April 5, 2004 prepared in connection with the annual meeting of unitholders held on May 5, 2004, other than the disclosure under the headings entitled "Statement of Corporate Governance Practices", "Report on Executive Compensation" and "Unitholder Return Performance Graph";
- (c) the audited consolidated financial statements of Dundee REIT as at December 31, 2004 and December 31, 2003 and for the year ended December 31, 2004 and the six months ended December 31, 2003, together with the notes thereto and the auditors' report thereon; and
- (d) management's discussion and analysis of financial condition and results of operations of Dundee REIT for the year ended December 31, 2004.

Any documents of the type referred to above, any comparative interim financial statements and any material change reports (excluding confidential material change reports, if any) filed by Dundee REIT with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into and form an integral part of this short form prospectus. **Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a**

**modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that was required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall be deemed, except as so modified or superseded, not to constitute a part of this short form prospectus.**

#### **FORWARD-LOOKING STATEMENTS**

This prospectus includes or incorporates by reference certain statements that are “forward-looking statements”. All statements, other than statements of historical fact, in this prospectus that address activities, events or developments that we or a third party expect or anticipate will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under “Risk Factors” and elsewhere in this prospectus. Certain of these risk factors and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. These forward-looking statements are made as of the date of this prospectus and we assume no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise.

#### **TERMS USED TO DESCRIBE DUNDEE REIT AND ITS BUSINESS**

Dundee REIT’s investment and operating activities are limited, because our operating business is carried out by Dundee Properties Limited Partnership (“Dundee Properties LP”), our principal operating subsidiary. For simplicity, we use terms in this prospectus to refer to our business and operations as a whole. Accordingly, in this prospectus, unless the context otherwise requires, when we use terms such as “we”, “us” and “our”, we are referring to Dundee REIT and its subsidiary entities, including trusts and partnerships in which Dundee REIT owns directly or indirectly more than a 50% equity interest. When we use expressions such as “our business”, we are referring to the business of Dundee REIT and these subsidiary entities as a whole. When we use expressions such as “our properties”, “our portfolio”, “we own” or “we invest in” in relation to our properties, we are referring to Dundee REIT’s ownership of and investment in our properties indirectly through Dundee Properties LP. When we use expressions such as “we operate” in relation to the operations of Dundee REIT, we are referring to Dundee REIT’s operation through its indirect interest in Dundee Properties LP.

## DUNDEE REIT

We are a provider of high quality, affordable business premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Our diversified portfolio consists of approximately 13.4 million square feet of gross leasable area, located primarily in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Our portfolio is well diversified by asset type, geographic location and tenant mix. Through our joint interest in Dundee Management Limited Partnership, we currently provide property management services to our tenants and other businesses.

We believe that our experienced and entrepreneurial management team, real estate expertise, diversified real estate portfolio, market presence and track record of creating value for investors are competitive advantages that help us achieve our objectives. Our objectives are to:

- Provide holders of our units with predictable and sustainable cash distributions, payable monthly and, to the extent reasonably possible, on a Canadian income tax deferred basis, from a portion of the cash flow generated from our commercial revenue producing properties;
- Prudently increase cash distributions as the performance of our underlying business warrants;
- Improve the overall value of our enterprise through the effective management of our business and finances; and
- Improve the overall value of our enterprise by acquiring additional commercial revenue producing properties that add value to our overall portfolio.

Our strategy is to preserve and increase the value of our properties through prudent and innovative management, build and maintain a diversified portfolio of properties and meet our tenants' needs by offering a high level of service. In order to further our external growth strategy, we make strategic acquisitions, reposition properties where opportunities exist and build on our third party property management business.

Dundee REIT is an unincorporated, open-ended real estate investment trust governed by the laws of Ontario. Dundee REIT is a "mutual fund trust" as defined in the *Income Tax Act* (Canada), but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1.

## RECENT DEVELOPMENTS

The following table provides an overview of the properties we acquired in 2004 and 2005 as of the date of this prospectus.

<u>Property</u>	<u>Property Type</u>	<u>Interest Acquired</u>	<u>Acquired GLA (sq. ft.)</u>	<u>Year End Occupancy</u>	<u>Purchase Price (\$000's)</u>	<u>Date Acquired</u>
Pauls Portfolio, Toronto and Calgary	Office, Flex Industrial	100%	1,598,027	98.2%	169,500	February 19, 2004
222-230 Queen Street, Ottawa <sup>(1)</sup> . . . . .	Office	16.4%	33,516	100%	6,000	January 1 and March 1, 2004
720 Bay Street, Toronto . . . . .	Office	50%	123,872	100%	26,000	May 5, 2004
Geo-X Building, Calgary . . . . .	Flex Industrial	100%	36,428	100%	6,600	May 12, 2004
Technoparc, Montréal . . . . .	Office	100%	323,373	100%	64,600	June 30, 2004
2599 Speakman Drive, Mississauga . . . . .	Office	100%	114,000	100%	9,300	January 13, 2005
1219 Corporate Drive, Burlington . . . . .	Industrial	100%	103,000	100%	6,500	January 31, 2005
TOTAL . . . . .			<u>2,332,216</u>		<u>288,500</u>	

(1) Represents purchase of the balance of the property

Additional details regarding these properties, as well as the properties we sold in 2004 and 2005 as of the date of this prospectus, are set out below.

### Acquisition of Pauls Portfolio

On February 19, 2004 and March 8, 2004, we purchased from a private developer 1.6 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets (collectively, with the

buildings under construction described below, the “Pauls Portfolio”) for a purchase price aggregating approximately \$169.5 million. The portfolio consists of nine flex industrial properties and three office properties in Calgary totaling approximately 596,000 square feet and four flex industrial properties, four industrial warehouse properties and one office property in Toronto totaling approximately 1,002,000 square feet.

As part of our agreement, we have an option to acquire at a discount to the then current market value approximately 350,000 square feet of flex industrial buildings in Mississauga upon their completion and leasing. We have provided a mezzanine loan of approximately \$11.0 million to the private developer to assist in the development and leasing of the buildings.

#### **Acquisition of Interests in 222-230 Queen Street (Capitol Square)**

On January 1, 2004 and March 1, 2004 we completed two purchase transactions to acquire the balance of 222-230 Queen Street (Capitol Square), a 14 storey, 204,000 square foot office building located in downtown Ottawa, Ontario for approximately \$6.0 million. In connection with the acquisition, we assumed the balance of the existing mortgage, having an aggregate remaining principal balance of approximately \$12 million at an interest rate of approximately 7.8%.

#### **Acquisition of 720 Bay Street**

On May 5, 2004, we completed the purchase of an undivided 50% interest in 720 Bay Street, a 248,000 square foot office building in Toronto, Ontario for a purchase price of \$26.0 million. The remaining 50% of this property is owned by private investors. The building is managed by H&R Property Management Ltd. In connection with this acquisition, we assumed approximately \$20.5 million of an existing mortgage. As a result of an agreement with our co-owners, our assumed amount has an effective interest rate of 7%. The entire building is currently leased by the Province of Ontario and is occupied by the Ontario Ministry of the Attorney General. The lease has approximately 5 years remaining in its term.

#### **Acquisition of Geo-X Building**

On May 12, 2004, we completed the purchase of the Geo-X Building, a 36,000 square foot flex building located in Calgary, Alberta for a purchase price of \$6.6 million paid entirely in cash. This building is currently leased to Geo-X Systems Ltd. under a lease with a remaining term of more than 6 years.

#### **Acquisition of Technoparc Saint-Laurent Properties**

On June 30, 2004, we completed the purchase of 323,000 square feet of office space in Montréal, Québec for a purchase price of approximately \$64.6 million paid in cash at closing. The portfolio consists of thirteen buildings, some of which are divided co-ownerships (condominium title in Québec). The properties are currently fully leased. Three tenants have the right at prescribed times during the term of their leases to acquire from the landlord the property the tenant is leasing at a predetermined price. Two other tenants each have an option to purchase at a price to be agreed upon between the landlord and the tenant. Certain other tenants have expansion options under their leases which, if exercised, would require us to construct additional space in the industrial park, subject to certain conditions including agreement with respect to the terms of the lease of such space. In such circumstances, we will have the right to purchase, at a predetermined price, sufficient lands for such purpose from the owner of the adjoining lands.

#### **Acquisition of 2599 Speakman Drive**

On January 13, 2005, we completed the acquisition of 2599 Speakman Drive, a 114,000 square foot two storey office campus in the Sheridan Research Park in Mississauga, Ontario, for approximately \$9.3 million. The building is 100% leased to two tenants, Atomic Energy of Canada Limited and Hatch, an infrastructure engineering firm.

#### **Acquisition of 1219 Corporate Drive**

On January 31, 2005, we completed the acquisition of 1219 Corporate Drive, a 103,000 square foot single tenant industrial building in Burlington, Ontario for approximately \$6.5 million. The vendor, Wheelabrator, a surface preparation equipment manufacturer, has leased back the entire facility for a ten-year term.

### Disposition of Centennial Mall

On February 11, 2004, we and our partners sold Centennial Mall, Brampton for approximately \$12 million, our share of which was approximately \$6 million. We used a portion of the proceeds to retire approximately \$3.8 million of debt and we recognized a gain of approximately \$0.2 million on the sale.

### Disposition of 6500 Kitimat Road

On June 30, 2004, we completed the sale of a 60,000 square foot single tenant industrial building in Mississauga for approximately \$5.2 million. We used a portion of the proceeds to retire approximately \$1.9 million of debt and we recognized a book gain of approximately \$2.4 million on the sale.

### Disposition of 1900-2000 Rue Halpern

On July 22, 2004, we completed the sale of a 527,000 square foot single tenant industrial building in Montréal. We received gross proceeds of \$3.4 million for our 20% interest in this asset, a portion of which we used to retire \$2.5 million of debt. A gain of \$0.5 million was recognized on this disposition.

### Disposition of Northgate Mall

On December 13, 2004, we completed the sale of Northgate Mall, a 331,000 square foot retail mall in Regina, Saskatchewan. We received gross proceeds of \$44.8 million, of which \$34.7 million was used to retire outstanding debt and a \$3.5 million vendor loan was made to the purchaser for a two year term. A loss of \$19.4 million was recognized on this disposition.

### Disposition of 2301-2311 Royal Windsor Drive

On January 14, 2005, we completed the disposition of our 25% interest in 2301-2311 Royal Windsor Drive, two industrial buildings in Mississauga, Ontario representing approximately 51,000 square feet of space. The sale price for our interest was approximately \$2.3 million. A gain of \$0.3 million was recognized on the sale.

### Current Discussions Regarding Acquisitions and Dispositions

Consistent with our past practices and in the normal course of business, we are engaged in discussions with respect to possible acquisitions of new properties and dispositions of existing properties in our portfolio. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition or disposition would be. We expect to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

The following table provides an overview of the properties in respect of which we have entered into an agreement to purchase. We have not completed the acquisition of these properties as of the date of this prospectus and we cannot assure you that these acquisitions will be completed.

<u>Property</u>	<u>Property Type</u>	<u>Interest to be Acquired</u>	<u>GLA (sq. ft.)</u>	<u>Occupancy</u>	<u>Purchase Price (\$000's)</u>
204 King Street East, Toronto . . . . .	Office	100%	135,000	100%	20,000
2580 Avenue Dollard, Montréal . . . . .	Industrial	100%	90,000	100%	4,300
1000 St. Jean, Montréal . . . . .	Office	100%	112,000	100%	15,000
2280 Alfred-Nobel Blvd., Montréal . . . . .	Office	100%	84,000	0%	5,200
10065 Jasper Avenue, Edmonton <sup>(1)</sup> . . . . .	Office	10%	19,000	100%	1,500
2465 St. Laurent Blvd., Ottawa . . . . .	Office	100%	59,000	100%	8,100
400 Cooper Street, Ottawa . . . . .	Office	100%	<u>175,000</u>	92.1%	<u>26,000</u>
TOTAL . . . . .			<u>674,000</u>		<u>80,100</u>

(1) Represents purchase of the balance of the property

We may choose to satisfy the purchase price for an acquisition in cash or by issuing Units or other securities or with any combination of the foregoing. We may also finance acquisitions through credit facilities or other indebtedness.

## DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by the terms of the Indenture (as defined below).

### **Debentures**

The Debentures will be issued under and pursuant to the provisions of a trust indenture (the “Indenture”) dated June 21, 2004, as supplemented by a first supplemental trust indenture to be dated the date of closing of this offering, in each case between Dundee REIT and Computershare Trust Company of Canada (the “Debenture Trustee”). The Debentures will be limited in the aggregate principal amount to \$100,000,000. Dundee REIT may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At the closing of this offering, the Debentures will be available for delivery in book-entry only form through the facilities of the Canadian Depository for Securities Limited (“CDS”). Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “— Book-entry, Delivery and Form”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 5.7% per annum, which will be payable semi-annually on March 31 and September 30 in each year (each, an “Interest Payment Date”), commencing with September 30, 2005; the first payment will include accrued and unpaid interest for the period from and including the day of the closing of this offering to but excluding September 30, 2005. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. At our option, and subject to regulatory approval, we may deliver Units to the Debenture Trustee who shall sell such Units on our behalf in order to raise funds to satisfy all or any part of our obligations to pay interest on the Debentures, but, in any event, the holders of Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the Debentures. See “— Interest Payment Election”.

The principal on the Debentures will be payable in lawful money of Canada or, at our option and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, our obligation to repay the principal amount of the Debentures, as further described under “— Payment upon Redemption or Maturity”, “— Redemption and Purchase” and “— Put Right upon a Change of Control”.

The Debentures will be direct obligations of Dundee REIT and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other liabilities of Dundee REIT as described under “— Subordination”. The Indenture will not restrict Dundee REIT or its subsidiaries from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging our real or personal property or properties to secure any indebtedness.

The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Toronto, Ontario.

### ***Conversion Privilege***

The Debentures will be convertible at the holder’s option into fully-paid, non-assessable and freely-tradeable Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the business day immediately preceding the date specified by Dundee REIT for redemption of the Debentures, at a conversion price of \$30.00 per Unit (the “Conversion Price”) being a ratio of 33.33333 Units per \$1,000 principal amount of Debentures. No adjustment to the Conversion Price will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest in respect thereof for the period up to, but excluding, the date of conversion from the day immediately following the latest Interest Payment Date. Notwithstanding the foregoing, no Debentures may be converted during the period from the close of business on the Record Date (as defined below under “— Payments”) preceding the Interest Payment Date to and including such Interest Payment Date, as the registers of the Debenture Trustee will be closed during such periods.



Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to all or substantially all holders of Units by way of distribution or otherwise other than an issue of securities to holders of Units or partnership units of Dundee Properties LP who participate in our distribution reinvestment or unit purchase plans or similar arrangements of Dundee Properties LP; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them for a period of not more than 45 days after the record date to acquire Units or other securities convertible into Units at less than 95% of the then Current Market Price (as defined below under “— Payment upon Redemption or Maturity”) of the Units; and (d) the distribution to all holders of Units of any units (other than Units), rights, options or warrants (other than those referred to in paragraph (c) above), evidences of indebtedness of Dundee REIT, or other assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. Dundee REIT will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification of the Units or a capital reorganization of Dundee REIT (other than a change resulting only from consolidation or subdivision) or in case of any amalgamation, consolidation, arrangement or merger of Dundee REIT with or into any other entity, or in the case of any sale or conveyance of the properties and assets of Dundee REIT as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of Dundee REIT, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, be exercisable for the kind and amount of securities or property of Dundee REIT, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if on the effective date or record date thereof it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such event.

No fractional Units will be issued on any conversion of the Debentures but in lieu thereof Dundee REIT shall satisfy such fractional interest by a cash payment equal to the current market price of such fractional interest.

#### ***Payment upon Redemption or Maturity***

On redemption or at the Maturity Date, Dundee REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. Dundee REIT may, at its option, on not more than 60 days’ and not less than 40 days’ prior notice and subject to any required regulatory approvals, unless an Event of Default (as hereinafter defined) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing freely-tradeable Units, in whole or in part, to the holders of the Debentures (the “Unit Payment Option”). The number of Units to be issued will be determined by dividing the principal amount of the Debentures by 95% of the Current Market Price of the Units on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Units will be issued to holders of Debentures but in lieu thereof Dundee REIT shall satisfy such fractional interest by a cash payment equal to the current market price of such fractional interest.

The “Current Market Price” will be defined in the Indenture to mean the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

#### ***Interest Payment Election***

Unless an Event of Default (as hereinafter defined) has occurred and is continuing, Dundee REIT may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and deliver freely-tradeable Units to the Debenture Trustee in order to raise funds to satisfy all or any part of its obligations to pay interest on the Debentures in accordance with the Indenture (the “Unit Interest Payment Option”) in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the

sale of such Units by the Debenture Trustee. The Indenture will provide that, upon such election, the Debenture Trustee shall (i) accept delivery of Units from Dundee REIT; (ii) accept bids with respect to, and consummate sales of, such Units, each as Dundee REIT shall direct in its absolute discretion; (iii) invest the proceeds of such sales in specified short term Canadian federal or provincial government or Canadian chartered bank obligations which mature prior to the applicable Interest Payment Date; (iv) deliver proceeds to holders of Debentures sufficient to satisfy Dundee REIT's interest payment obligations; and (v) perform any other action necessarily incidental thereto as directed by Dundee REIT in its absolute discretion. The amount received by a holder in respect of interest and the timing of payment thereof will not be affected by whether or not Dundee REIT elects to utilize the Unit Interest Payment Option.

Neither Dundee REIT's making of the Unit Interest Payment Option nor the consummation of sales of Units will (a) result in the holders of Debentures not being entitled to receive, on the applicable payment date, cash in an aggregate amount equal to the interest payable on such payment date, or (b) entitle such holders to receive any Units in satisfaction of the interest payable on the applicable payment date.

### ***Redemption and Purchase***

Dundee REIT may not redeem the Debentures before March 31, 2009, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under “— Put Right upon a Change of Control”. On and after March 31, 2009, but prior to March 31, 2011, the Debentures may be redeemed, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior notice, at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption provided that the Current Market Price preceding the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On and after March 31, 2011 and prior to the Maturity Date, Dundee REIT may redeem the Debentures in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

Dundee REIT will have the right to purchase Debentures in the market, by tender or by private contract subject to regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, we will not have the right to purchase the Debentures by private contract.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

### ***Cancellation***

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

### ***Subordination***

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the Senior Indebtedness of Dundee REIT. “Senior Indebtedness” of Dundee REIT will be defined in the Indenture as all indebtedness of Dundee REIT (whether outstanding as at the date of the Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. The Debentures will not limit Dundee REIT's ability to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging real or personal property or properties of Dundee REIT to secure any indebtedness.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Dundee REIT, or to Dundee REIT's property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Dundee REIT, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Dundee REIT, all creditors entitled to Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or

securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Debentures will be effectively subordinate to claims of creditors (including trade creditors) of Dundee REIT's subsidiaries except to the extent Dundee REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

### ***Put Right upon a Change of Control***

Upon the occurrence of a change of control of Dundee REIT involving the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66<sup>2</sup>/<sub>3</sub>% or more of the votes attaching, collectively, to (i) outstanding voting units of Dundee REIT; and (ii) voting units of Dundee REIT issuable upon the conversion or exercise in accordance with their terms of securities convertible into or carrying the right to acquire voting units of Dundee REIT (other than the LP Class B Units, Series 1 of Dundee Properties LP) (a "Change of Control"), each holder of Debentures may require Dundee REIT to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "Put Date"), the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest up to but excluding the Put Date (the "Total Put Price").

If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Dundee REIT will have the right but not the obligation to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and as soon as reasonably possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

The Total Put Price will be payable in lawful money of Canada or, at Dundee REIT's option and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, Dundee REIT's obligation to pay the Total Put Price.

The Indenture will contain notification provisions to the following effect that:

- (a) Dundee REIT will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the holders of Debentures a notice of the Change of Control, the repayment right of the holders of Debentures and Dundee REIT's right to redeem untendered Debentures under certain circumstances; and
- (b) a holder of Debentures, to exercise the right to require Dundee REIT to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right, together with a duly endorsed form of transfer.

Dundee REIT will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

### ***Modification***

The rights of the holders of the Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all holders of Debentures resolutions ("Extraordinary Resolutions") passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the principal amount of the then outstanding Debentures. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

### ***Events of Default***

The Indenture will provide that an event of default ("Event of Default") in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the

Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration of acceleration or otherwise; (iii) an unremedied breach of any material covenant or condition of the Indenture by Dundee REIT after a 30 day cure period following notice of such breach; or (iv) certain events of bankruptcy, insolvency or reorganization of Dundee REIT under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. Certain Events of Default may be waived by written direction of the holders of 66<sup>2</sup>/<sub>3</sub>% of the principal amount of the outstanding Debentures, by Extraordinary Resolution or by the Debenture Trustee in certain circumstances in accordance with the terms of the Indenture.

### ***Offers for Debentures***

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a takeover bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the outstanding principal amount of the Debentures (other than Debentures held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror or any person acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by holders of Debentures who did not accept the offer on the terms offered by the offeror.

### ***Limitation on Non-Resident Ownership***

At no time may non-residents of Canada be the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units (other than the Special Trust Units), whether by way of conversion of Debentures to Units, repayment of Debentures by issuance of Units, or otherwise, or more than 49% of the Special Trust Units. The Debenture Trustee may, upon the instruction of Dundee REIT, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If Dundee REIT notifies the Debenture Trustee that the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units (other than the Special Trust Units) or more than 49% of the Special Trust Units are, or may be, non-residents, or that such a situation is imminent, Dundee REIT may require the Debenture Trustee to make a public announcement thereof and Dundee REIT may instruct the Debenture Trustee not to register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident and does not hold his or her Debentures for the benefit of a non-resident. If, notwithstanding the foregoing, Dundee REIT notifies the Debenture Trustee that beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units (other than the Special Trust Units) or more than 49% of the Special Trust Units are non-residents, Dundee REIT may instruct the Debenture Trustee to, or our trustees may, send a notice to non-resident holders of Debentures or Units and holders of Debentures or Units for the benefit of non-residents, chosen in inverse order to the order of acquisition or registration of the Debentures or Units or in such manner as the Debenture Trustee or our trustees may consider equitable and practicable, requiring them to sell their Debentures or Units or a portion thereof within a specified period of not more than 60 days. If the Debenture holders or unitholders receiving such notice have not sold the specified number of Debentures or Units or provided the Debenture Trustee and Dundee REIT with satisfactory evidence that they are not non-residents and do not hold Debentures or Units for the benefit of a non-resident within such period, our trustees may or Dundee REIT may instruct the Debenture Trustee, on behalf of such Debenture holder or unitholder, and our trustees or the Debenture Trustee, as applicable, shall have the power of attorney of such holder to, sell or redeem such Debentures or Units, as the case may be, and, in the interim, shall suspend the rights attached to such Debentures or Units. Upon such sale or redemption, the affected holders shall cease to be holders of Debentures or Units, as the case may be, and their rights shall be limited to receiving the net proceeds of sale or redemption upon surrender of such Debentures or Units.

### ***Book-entry, Delivery and Form***

Debentures will be issued in the form of fully-registered global Debentures (the “Global Debentures”) held by, or on behalf of, CDS or its successor, (the “Depository”) as custodian for its participants.

All Debentures will be represented in the form of Global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “book-entry only” form (unless Dundee REIT,

in its sole discretion, elects to prepare and deliver definitive Debentures in fully-registered form). Beneficial interests in the Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (the “participants”). Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

If the Depository notifies us that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and we and the Debenture Trustee are unable to locate a qualified successor, or if we elect, in our sole discretion, to terminate the book-entry system, with the consent of the Debenture Trustee, beneficial owners of Debentures represented by Global Debentures at such time will receive Debentures in registered and definitive form (the “Definitive Debentures”).

### ***Transfer and Exchange of Debentures***

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless we elect, in our sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in the Depository’s book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Toronto, Ontario or such other city or cities as may from time to time be designated by Dundee REIT whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer or exchange of a Debenture will be registered during the period from the date of any selection by the Debenture Trustee of any Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

### ***Payments***

Payments of interest and principal on each Global Debenture will be made to the Depository or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of a Global Debenture, such Depository or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and the Debentures. The record dates (each, individually, a “Record Date”) for the payment of interest will be March 15 and September 15 in each year (or the first business day following such date if not a business day). Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to the Depository or its nominee, as the case may be.

We understand that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of the Depository or its nominee. We also understand that payments of interest and principal by participants to the owners of beneficial interest in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held

for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such participants. Dundee REIT’s responsibility and liability in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to the Depository or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture or if required under any applicable payment clearing system rules, or by cheque dated the Interest Payment Date and mailed at least five business days (a business day for this purpose being a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are open for business in Toronto) preceding the applicable Interest Payment Date to the address of the holder appearing in the register maintained by the registrar for the Debentures at the close of business on the Record Date. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in the City of Toronto (or in such other city or cities as may from time to time be designated by Dundee REIT) against surrender of the Definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Debenture is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

### ***Reports to Holders***

We will file with the Debenture Trustee, within 15 days after the filing thereof with the Ontario Securities Commission, copies of our annual report and the information, documents and other reports that we are required to file with the Ontario Securities Commission and deliver to our unitholders. Notwithstanding that Dundee REIT may not be required to remain subject to the reporting requirements of the Ontario Securities Commission, Dundee REIT shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an annual financial statement of Dundee REIT, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Dundee REIT which shall, at a minimum, contain such information as is required to be provided in quarterly reports under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not Dundee REIT has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. We will provide copies of such information, documents and reports to holders of Debentures upon request.

### ***Governing Law***

Each of the Indenture and the Debentures are governed by, and will be construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such province.

### ***Units***

Each Unit represents an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT, whether of net income, net realized capital gains or other amounts and, in the event of its termination or winding up, in its net assets remaining after the satisfaction of all its liabilities. No Unit will have preference or priority over any other.

Each Unit entitles the holder thereof to one vote for each whole Unit held at all meetings of unitholders of Dundee REIT. No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote, except to the extent such fractional Units represent in the aggregate one or more whole Units. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation.

On December 16, 2004, the *Trust Beneficiaries’ Liabilities Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. Dundee REIT is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario by virtue of the provisions of its declaration of trust.

The amended and restated declaration of trust of Dundee REIT (“Declaration of Trust”) contains restrictions on the ownership of Units by unitholders of Dundee REIT who are not residents of Canada. These restrictions are summarized on pages 61 and 62 of our initial annual information form dated April 12, 2004.

In addition to the Units, Dundee REIT is authorized to issue voting units of another series designated as “REIT Units, Series B” (of which none are outstanding) and voting units of another class, designated as “Special Trust Units”, which are issued to holders of certain limited partnership units of Dundee Properties LP on a one-for-one basis with those limited partnership units. A summary of the terms and conditions applicable to those units is provided on pages 57 to 62 of our initial annual information form dated April 12, 2004.

### USE OF PROCEEDS

The net proceeds from the sale of Debentures under this short form prospectus are estimated to be approximately \$95,550,000 after deduction of the Underwriters’ fee and the estimated expenses of this offering. The Underwriters’ fee and the expenses of this offering will be paid out of the proceeds of this offering. We will use the net proceeds of this offering for general trust purposes, including funding possible future acquisitions.

### EARNINGS COVERAGE RATIOS

The earnings coverage ratios set forth below have been prepared in accordance with applicable Canadian disclosure requirements. Earnings coverage is equal to net income before non-controlling interest, interest expense and income taxes, divided by interest expense. These coverages have been prepared using financial information prepared in accordance with accounting principles generally accepted in Canada. The *pro forma* ratios and notes have been calculated for the year ended December 31, 2004, and have been adjusted to give effect to this offering as if it had taken place at January 1, 2004.

	For the year ended December 31, 2004 <sup>(2)</sup>	For the year ended December 31, 2004, after giving effect to the issuance of the Debentures and other new debt and retirements of obligations since that date <sup>(3)</sup>
	Historical	(Pro forma)
Earnings coverage ratios <sup>(1)(4)</sup> .....	1.09	N/A <sup>(5)</sup>
Earnings coverage ratios — continuing operations .....	1.45	1.29

Notes:

- (1) The *pro forma* earnings coverage ratios include the interest expense on the Debentures in the calculation assuming that the Debentures will be characterized 100% as debt and interest payments will be characterized as interest expense in the financial statements.
- (2) Dundee REIT’s earnings and earnings from continuing operations before non-controlling interest, interest and taxes for the year ended December 31, 2004 amounted to \$49,387,000 and \$62,682,000, respectively.
- (3) Dundee REIT’s interest requirements after giving effect to the issue of the Debentures for the year ended December 31, 2004 amounted to \$50,688,000. Interest requirements from continuing operations amounted to \$48,577,000.
- (4) The earnings assume that there are no additional earnings derived from the net proceeds of the Debentures.
- (5) The dollar amount of the coverage deficiency (i.e., the amount of earnings required to attain a ratio of one-to-one) is \$1,301,000.

### PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the “Underwriting Agreement”) dated February 25, 2005 with the Underwriters, Dundee REIT has agreed to sell and the Underwriters have severally agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on April 1, 2005 or on such other date as may be agreed between Dundee REIT and the Underwriters but, in any event, not later than April 7, 2005, an aggregate principal amount of \$100,000,000 of Debentures at par, payable in cash to Dundee REIT against delivery. The Underwriting Agreement provides that we will pay to the Underwriters an aggregate fee of \$3,750,000 in respect of all of the Debentures offered or \$37.50 per \$1,000 principal amount of Debentures in consideration for their services in connection with this offering.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated on the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of such Debentures are purchased under the Underwriting Agreement.

This offering is being made in each of the provinces of Canada. The Debentures have not and will not be registered under the United States *Securities Act of 1933* (the “1933 Act”) and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Debentures within the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Debentures in the United States. In addition, until 40 days after the commencement of the offering of the Debentures pursuant to this prospectus, an offer or sale of Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in compliance with Rule 144A.

We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities pursuant to the Underwriting Agreement, including liabilities under Canadian securities legislation.

Dundee REIT has agreed that, except for the issuance of Units pursuant to the terms of the Debentures, it will not, directly or indirectly, without the prior written consent of TD Securities Inc. and Scotia Capital Inc. (the “Lead Underwriters”), on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any equity securities or any securities convertible into, or exchangeable or exercisable for equity securities, for a period commencing on the date of the Underwriting Agreement and ending on the date that is 90 days after the closing of this offering, except (i) pursuant to the exercise of convertible or exchangeable securities, options or warrants to purchase Debentures or Units which are outstanding on the date hereof or have been issued with the consent of the Lead Underwriters; (ii) as full or partial consideration for arm’s length acquisitions of assets or shares; (iii) Debentures or Units issued pursuant to Dundee REIT’s DRIP plan or deferred unit incentive plan; and (iv) debentures or units issued pursuant to the DRIP plan-like arrangements in the Dundee Properties LP limited partnership agreement.

In addition, Dundee Realty has agreed that it will not, directly or indirectly, sell, transfer or assign any Debentures, Units or other securities convertible or exchangeable into Debentures or Units owned or controlled, directly or indirectly, by Dundee Realty for a period commencing on the date of the Underwriting Agreement and ending on the date that is 90 days after the closing of this offering, to any person which is not an affiliate of Dundee Corporation (and such affiliate may similarly sell to another affiliate).

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures.**

Dundee Corporation has elected not to exercise its pre-emptive right under the Declaration of Trust in connection with this offering.

Subscriptions for Debentures 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.

Pursuant to the policy statements of the Ontario Securities Commission and the Québec Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to 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 Debentures. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSX 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. We have been advised that in connection with the offering and pursuant to the first-mentioned exception, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.



Dundee Securities Corporation is an indirect subsidiary of Dundee Corporation. Dundee Realty, a subsidiary of Dundee Corporation, together with an affiliate, holds an approximate 32% equity and voting interest in Dundee REIT by virtue of their holdings of Special Trust Units of Dundee REIT and limited partnership units of Dundee Properties LP. Dundee Realty was also a promoter of Dundee REIT for the purposes of applicable Canadian securities legislation. See “Promoter”. Accordingly, Dundee REIT is a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation.

The terms of the offering of the Debentures were negotiated at arm’s length between the Underwriters (Dundee REIT is neither a related issuer nor a connected issuer of any of TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc. or Trilon Securities Corporation) and Dundee REIT. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Debentures and the sizing of this offering and the due diligence process in respect of this offering. Dundee Securities Corporation will not receive any benefit in connection with this offering other than fees (together with the other Underwriters) as referred to in this prospectus.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Dundee REIT, and Torys LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the “Tax Act”) to the acquisition, holding and disposition of Debentures by a holder who acquires such Debentures pursuant to this offering. This summary is applicable to a holder who, for purposes of the Tax Act, is resident in Canada, deals at arm’s length with Dundee REIT and holds Debentures and any Units acquired under the terms of the Debentures (collectively, the “Securities”) as capital property (a “Holder”). Generally, the Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to (a) a Holder that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules, (b) a Holder that is a “specified financial institution”, as defined in the Tax Act or (c) a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Securities acquired pursuant to this offering.

This summary assumes that Dundee REIT qualifies as a “mutual fund trust” as defined in the Tax Act and will continue to qualify as a mutual fund trust at all relevant times. This summary also assumes that Dundee REIT is not established or maintained primarily for the benefit of non-residents. If Dundee REIT were not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax considerations described below would, in some respects, be materially different.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”) and counsel’s understanding of the current administrative and assessing practices of the Canada Revenue Agency (“CRA”) published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations announced by or on behalf of the Minister of Finance prior to the date hereof (the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurances can be given that this will be the case. There can be no assurances that the CRA will not change its administrative and assessing practices.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Securities will vary depending on the holder’s particular circumstances. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Securities.**

**Consequently, a prospective Holder should consult the Holder's own tax advisor for advice with respect to the tax consequences of an investment in Securities based on the prospective Holder's particular circumstances.**

## **Taxation of Holders of Securities**

### ***Debentures***

#### *Interest on Debentures*

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or until the disposition in the year of the Debentures) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year and excluding any interest that accrued prior to the time of the acquisition of the Debenture by the Holder.

Any other Holder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year and excluding any interest that accrued prior to the time of the acquisition of the Debenture by the Holder. In addition, if at any time a Debenture should become an "investment contract", as defined in the Tax Act, in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on the Debenture up to any "anniversary day", as defined in the Tax Act, in that year to the extent such interest was not otherwise included in the Holder's income for that year or a preceding year.

The fair market value of any premium paid by Dundee REIT to a Holder on a Put Date, whether paid in cash or in Units, will generally be deemed to be interest received at that time by the Holder if such premium is paid by Dundee REIT because of the repayment by it of the Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the Put Date, of the interest that would have been paid or payable by Dundee REIT on the Debentures for taxation years of Dundee REIT ending after the Put Date.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on investment income, including amounts in respect of interest.

#### *Exercise of Conversion Privilege*

A Holder of a Debenture who converts the Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional units. The Holder will realize a capital gain or capital loss computed as described below under "— Dispositions of Debentures". The cost to the Holder of the Units so acquired will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder for the purposes of calculating the adjusted cost base of such Units.

#### *Redemption or Repayment of Debentures*

If Dundee REIT redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional units. The Holder may realize a capital gain or capital loss computed as described below under "— Dispositions of Debentures". The cost to the Holder of the Units so received will also be equal to their fair market value at the

time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder for the purpose of calculating the adjusted cost base of such Units.

#### *Dispositions of Debentures*

A disposition or deemed disposition by a Holder of a Debenture will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units which treatment is discussed below under "— Units".

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder's income, except to the extent such amount was otherwise included in the Holder's income, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

A capital gain realized by a Holder who is an individual may give rise to a liability for alternative minimum tax. A Canadian-controlled private corporation that disposes of Debentures may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on investment income, including taxable capital gains.

### **Units**

#### *Distributions*

A Holder of Units is generally required to include in computing income for a particular taxation year the portion of the net income for tax purposes of Dundee REIT for that year, including net realized taxable capital gains, that is paid or payable or deemed to be paid or payable to the Holder in that year, whether that amount is received in cash, additional Units or otherwise. No amount is required to be included in income in respect of the further bonus distribution reinvested in Units under the DRIP plan.

The non-taxable portion of any net realized capital gains of Dundee REIT that is paid or payable or deemed to be paid or payable to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income of Dundee REIT that is paid or payable or deemed to be paid or payable to a Holder in a year (including the further bonus distribution reinvested in Units under the DRIP plan) will not generally be included in the Holder's income for the year. However, where such an amount is paid or payable to a Holder, other than as proceeds of disposition or deemed disposition of Units or any part thereof, the adjusted cost base of the Units held by the Holder will be reduced by such amount (except to the extent that it represents the Holder's share of the non-taxable portion of the net realized capital gains of Dundee REIT for the year, the taxable portion of which was designated by Dundee REIT in respect of the Holder). Where reductions to a Holder's adjusted cost base of Units for the year will result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the Holder in the year and the Holder's adjusted cost base of the Units at the beginning of the next year will then be nil.

Provided that appropriate designations are made by Dundee REIT, such portions of its net taxable capital gains, taxable dividends received or deemed to be received on shares of taxable Canadian corporations and foreign source income as are paid or payable or deemed to be paid or payable to a Holder will effectively retain their character and be treated as such in the hands of the Holder for the purposes of the Tax Act, and Holders may be entitled to claim a foreign tax credit for foreign taxes paid by Dundee REIT. To the extent that amounts are designated as having been paid to Holders out of the net taxable capital gains of Dundee REIT, such designated amounts will be deemed for tax purposes to be received by unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below. To the extent that amounts are designated as having been paid to unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit provisions will be applicable in respect of Holders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Holders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, the deduction in computing taxable income will be available to Holders that are corporations, and an additional refundable 6<sup>2</sup>/<sub>3</sub>% tax will be payable by Holders that are Canadian-controlled private corporations in certain circumstances.

### *Dispositions of Units*

Upon the disposition or deemed disposition by a Holder of a Unit, whether on redemption or otherwise, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by Dundee REIT that is otherwise required to be included in the unitholder's income (such as an amount designated as payable by Dundee REIT to a redeeming unitholder out of capital gains or income of Dundee REIT as described above).

For the purpose of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the unitholder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, with certain adjustments. The cost to a unitholder of Units received in lieu of a cash distribution of income of Dundee REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units. The cost of Units acquired on the reinvestment of distributions under the DRIP plan will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a unitholder's Units as a result of the receipt of the further bonus distribution reinvested in Units under the DRIP plan; however, the adjusted cost base per Unit will be reduced.

Where the redemption price for Units is paid by the transfer by Dundee REIT of notes ("Operating Trust Notes") issued by one of our operating trust subsidiaries ("Operating Trusts") to the redeeming Holder, the proceeds of disposition to the Holder of the Units will be equal to the fair market value of the property so transferred less the portion of any income or capital gain realized by Dundee REIT in connection with the redemption of those Units that has been designated by Dundee REIT as payable to the redeeming Holder as described above. Where Dundee REIT has designated such capital gain or income as payable to a redeeming Holder, the unitholder will be required to include in income such income and the taxable portion of the capital gain so designated. The adjusted cost base of the Operating Trust Notes transferred by Dundee REIT to a unitholder upon an *in specie* redemption of Units to that Holder will generally be equal to the fair market value of such notes at the time of transfer less any accrued but unpaid interest on such notes at that time. The Holder will thereafter be required to include in income interest on any such notes in accordance with the provisions of the Tax Act. To the extent that the Holder is thereafter required to include in income any interest accrued to the date of the acquisition of such notes by the Holder, an offsetting deduction will be available.

### *Capital Gains and Capital Losses*

One-half of any capital gain realized by a Holder and the amount of any net taxable capital gains designated by Dundee REIT in respect of a Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss realized by a Holder on a disposition or deemed disposition of Units may generally be deducted only from taxable capital gains of the Holder in accordance with the provisions of the Tax Act.

Where a Holder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Holder's capital loss from the disposition will generally be reduced by the amount of any dividends received by Dundee REIT previously designated by Dundee REIT to the Holder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

### *Alternative Minimum Tax*

In general terms, net income of Dundee REIT, paid or payable or deemed to be paid or payable to a Holder who is an individual or a certain type of trust, that is designated as taxable dividends or as net taxable capital gains and capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

## **Status of Dundee REIT Units**

### ***Qualified Investment***

Provided Dundee REIT is, on closing of the offering, a mutual fund trust or a registered investment within the meaning of the Tax Act, Units will be, at that time, qualified investments for Plans and RESPs (as defined below), subject to the specific provisions of any particular plan. If Dundee REIT ceases to qualify as a mutual fund trust

and as a registered investment under the Tax Act, the Units will not be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, each as defined under the Tax Act (“Plans”) and trusts governed by registered education savings plans under the Tax Act (“RESPs”). Operating Trust Notes received as a result of a redemption *in specie* of Units may not be qualified investments for Plans and RESPs, and this could give rise to adverse consequences to such plan or the annuitant or beneficiary under that plan. Accordingly, Plans and RESPs that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of Dundee REIT were held by non-residents and partnerships other than Canadian partnerships, Dundee REIT would thereafter cease to be a mutual fund trust. The December 6, 2004 Notice of Ways and Means Motion to implement the tax proposals contained in the 2004 Federal Budget does not contain this proposal and the Department of Finance indicated in a concurrent release that further discussions would be pursued with the private sector in this regard.

### ***Foreign Property***

Based in part on certificates as to factual matters given by Dundee REIT, the Operating Trusts and the general partner of Dundee Properties LP, the Units, will, if issued on closing of the offering, not constitute “foreign property”, at that time, for Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act, provided that Dundee REIT is a mutual fund trust under the Tax Act at that time and at all relevant times restricts its investment in foreign property or is a registered investment under the Tax Act on that date. RESPs are not subject to foreign property tax. The February 23, 2005 budget proposes to eliminate tax under Part XI of the Tax Act in respect of investments in foreign property by Plans, registered pension plans or other persons subject to tax under Part XI of the Act effective for months ending in the 2005 and subsequent calendar years.

### **Taxation of Dundee REIT**

The taxation year of Dundee REIT is the calendar year. In each taxation year, Dundee REIT will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains computed in accordance with the detailed provisions of the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable or deemed to be paid or payable in the year to unitholders. An amount will be considered to be payable to a unitholder in a taxation year if it is paid to the unitholder in the year by Dundee REIT or if the unitholder is entitled in that year to enforce payment of the amount. The income for purposes of the Tax Act of Dundee REIT for each taxation year will include such amount of Dundee REIT’s income for tax purposes, including net taxable capital gains, as is paid or becomes payable or deemed to be paid or payable to Dundee REIT in the year in respect of the units of the Operating Trusts (“Operating Trust Units”) and all interest that accrues to the end of the year or becomes receivable or is received by Dundee REIT on the Operating Trust Notes before the end of the year, except to the extent that interest was included in computing its income in a preceding taxation year. Dundee REIT will not be subject to tax on any payments of principal on the Operating Trust Notes. Dundee REIT will, generally, also not be subject to tax on any amounts received as distributions on the Operating Trust Units that are in excess of the income of each Operating Trust that is paid or payable or deemed to be paid or payable by such trust to Dundee REIT in a year, which amounts will generally reduce the adjusted cost base of the Operating Trust Units immediately prior to the receipt of such amounts. Where the adjusted cost base of the Operating Trust Units would otherwise be a negative amount, Dundee REIT will be deemed to realize a capital gain in such amount in that year, and its adjusted cost base of the Operating Trusts Units at the beginning of the next taxation year will then be nil.

In computing its income for purposes of the Tax Act, Dundee REIT may deduct reasonable administrative costs and other expenses incurred by it for the purpose of earning income. Dundee REIT may also deduct from its

income for the year a portion of any reasonable expenses incurred by Dundee REIT to issue Debentures or Units. The portion of such issue expenses deductible by Dundee REIT in a taxation year is 20% of such issue expenses, pro-rated where Dundee REIT's taxation year is less than 365 days.

An *in specie* redemption of the Operating Trust Notes and Operating Trust Units and the transfer by Dundee REIT of Operating Trust Notes to redeeming Holders will each be treated as a disposition by Dundee REIT of such Operating Trust Notes and Operating Trust Units for proceeds of disposition equal to the fair market value thereof. Dundee REIT's proceeds from the disposition of Operating Trust Notes will generally be reduced by any accrued but unpaid interest in respect thereof, which interest will be included in Dundee REIT's income in the year of disposition to the extent it was not included in Dundee REIT's income in a previous year. Dundee REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from these dispositions exceed (or are less than) the adjusted cost base of the Operating Trust Notes and Operating Trust Units, as the case may be, and any reasonable costs of disposition.

Under the Declaration of Trust, all of the income of Dundee REIT for each year other than taxable capital gains (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by Dundee REIT (computed in accordance with the detailed provisions of the Tax Act) in the year (excluding any capital gains or income which may be realized by Dundee REIT upon a transfer *in specie* of Dundee REIT's assets to redeeming unitholders in connection with a redemption of Units and designated by Dundee REIT as income or capital gains paid or payable to the redeeming unitholders) will be payable in the year to the unitholders by way of cash distributions, subject to the exceptions described below. Counsel has been advised that Dundee REIT intends to make distributions in each year to unitholders in an amount sufficient to ensure that Dundee REIT will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to Dundee REIT).

Income of Dundee REIT which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to holders of Units in the form of additional Units. Income of Dundee REIT payable to unitholders, whether in cash, additional Units, REIT Units, Series B or otherwise, will generally be deductible by Dundee REIT in computing its taxable income.

Losses incurred by Dundee REIT cannot be allocated to unitholders, but can be deducted by Dundee REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event Dundee REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of units of Dundee REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset Dundee REIT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Holders on the redemption of Units and the related *in specie* redemption by Dundee REIT of the Operating Trust Notes and Operating Trust Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by Dundee REIT in connection with such redemptions may, at the discretion of the trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming unitholder. Such income or the taxable portion of any capital gain so designated must be included in the income of the redeeming unitholders (as income or taxable capital gains) and will be deductible by Dundee REIT in computing its income.

During the period in which Dundee REIT is a registered investment, Dundee REIT may be subject to a special tax under Part XI of the Tax Act if it acquires or holds foreign property in excess of the limits provided in the Tax Act or enters into certain agreements to acquire shares of a corporation at a price that may differ from the fair market value of the shares at the time of acquisition. Dundee REIT is required under the Declaration of Trust to restrict its investments so that it will not become liable for such tax. The February 23, 2005 budget proposes to eliminate tax under Part XI of the Tax Act in respect of investments in foreign property by Plans, registered pension plans or other persons subject to tax under Part XI of the Act effective for months ending in the 2005 and subsequent calendar years.

The Tax Act provides for a special tax under Part XII.2 on the designated income of certain trusts that have designated beneficiaries (including non-resident persons, certain tax-exempt persons and certain trusts and partnerships). The payment of this special tax by Dundee REIT or the Operating Trusts may have adverse tax consequences for certain unitholders, including non-resident persons. This special tax does not apply to a trust for a

taxation year if it is a mutual fund trust throughout the year or if the sole beneficiary of the trust throughout the year is a mutual fund trust. Provided Dundee REIT qualifies as a mutual fund trust throughout a taxation year, this special tax will not apply to Dundee REIT or (assuming Dundee REIT is at all times its sole holder) each of the Operating Trusts for the year.

### **Taxation of the Operating Trusts**

The taxation year of each Operating Trust is the calendar year. Each Operating Trust will be taxable on its income determined under the Tax Act for each year, which will include its allocated share of the taxable income of Dundee Properties LP for the fiscal period of Dundee Properties LP ending on or before the year end of the Operating Trust, except to the extent such income is paid or payable or deemed to be paid or payable in such year to Dundee REIT, the sole unitholder of each Operating Trust, and is deducted by the Operating Trust in computing its income for tax purposes. Each Operating Trust will generally be entitled to deduct its expenses incurred to earn income from a business or property provided such expenses are reasonable and otherwise deductible under the relevant provisions of the Tax Act. Under the declarations of trust governing the Operating Trusts, all of the income of each Operating Trust for each year other than taxable capital gains (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by the Operating Trust in the year, will generally be payable in the year to Dundee REIT, the sole unitholder of each Operating Trust. Counsel has been advised that each Operating Trust generally intends to make distributions in each year to Dundee REIT, its sole unitholder, in an amount sufficient to ensure that the Operating Trust will not be liable for tax under Part I of Tax Act in any year.

### **Taxation of Dundee Properties LP**

Dundee Properties LP is not subject to tax under the Tax Act. Generally, each partner of Dundee Properties LP, including each Operating Trust, is required to include in computing the partner's income the partner's share of the income or loss of Dundee Properties LP for its fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of Dundee Properties LP will be computed for each fiscal year as if Dundee Properties LP were a separate person resident in Canada and will include its share of the income or loss of Dundee Management Limited Partnership and other partnerships in which it holds any interest and any capital gain or loss that may arise on the disposition or deemed disposition of its interests in such partnership. In computing the income or loss of Dundee Properties LP, deductions may generally be claimed in respect of its administrative and other expenses incurred for the purpose of earning income from business or property to the extent they are not capital in nature and do not exceed a reasonable amount and available capital cost allowances. The income or loss of Dundee Properties LP for a fiscal year will be allocated to the partners of Dundee Properties LP, including the Operating Trusts, on the basis of their respective share of such income or loss as provided in the limited partnership agreement of Dundee Properties LP, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of the Dundee Properties LP for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in Dundee Properties LP by the amount of such excess. If, as a result, the Operating Trust's adjusted cost base at the end of a taxation year of its units in Dundee Properties LP would otherwise be a negative amount, the Operating Trust will be deemed to realize a capital gain in such amount for that year, and the Operating Trust's adjusted cost base at the beginning of the next taxation year of its units in the Dundee Properties LP will then be nil. If Dundee Properties LP were to incur losses for tax purposes, the Operating Trust's ability to deduct such losses may be limited by certain rules under the Tax Act.

These rules apply to the taxation of Dundee Properties LP as a partner of any of the partnerships in which it holds any interest.

### **New Rules Regarding Restricted Investment Entities**

On March 23, 2004, the Minister of Finance (Canada) tabled in the House of Commons a Notice of Ways and Means Motion (the "Notice"). The Notice includes a proposal to amend the Tax Act to subject a "designated taxpayer" to a special tax where, at the end of a month that ends after 2004, the designated taxpayer holds "restricted investment property" and, in general terms, the cost amount to the designated taxpayer of all such property exceeds 1% of the cost amount to it of all of its properties. For this purpose, restricted investment property includes units and debt of a business income trust and interests in and debt of certain entities which hold

units or debt of business income trusts. The Notice also includes a proposal to amend the Tax Act to subject a designated taxpayer to a special tax where, in general terms, the designated taxpayer and entities with which it does not deal at arm's length hold more than 5% of the units of a class of a business income trust.

For the purposes of these special taxes, a designated taxpayer generally means a trust governed by a registered pension plan, a pension corporation and various tax-exempt pension investment corporations, and a business income trust means a unit trust (other than an exempt trust) any unit of which is listed on a prescribed stock exchange where 50% or more of the fair market value of the trust's property is attributable to debt issued by an entity in respect of which the trust has a significant interest. Dundee REIT would be considered a business income trust unless it is an exempt trust. Whether Dundee REIT will qualify as an exempt trust at a particular time will depend, among other things, on the nature of and relative values of Dundee REIT's properties at that time. Dundee REIT has advised counsel that it has not determined whether it qualifies as an exempt trust. Prospective purchasers who are designated taxpayers, or prospective purchasers an interest in (or debt of) which may constitute a restricted investment property, should therefore consult their own tax advisors regarding the potential application of the proposed amendments as a result of an acquisition of Units.

On May 18, 2004, the Minister of Finance announced that the implementation of these proposed amendments is suspended pending further consultation with interested parties, following which further legislative proposals will be announced. In the February 23, 2005 budget, the Minister of Finance announced it will release a consultation paper shortly after the budget.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Dundee REIT, and Torys LLP, counsel to the Underwriters, provided that Dundee REIT qualifies as a mutual fund trust for the purposes of the Tax Act and (respecting the qualification of the Debentures) the Units are listed on a prescribed stock exchange in Canada on the date of closing, the Debentures, as at that date, will be qualified investments under the Tax Act and the Regulations for Plans, and RESPs. Based on representations of Dundee REIT and provided that Dundee REIT qualifies as a mutual fund trust and a registered investment both within the meaning of the Tax Act on the date of closing, in the opinion of such counsel, the Debentures will not, at the date of closing, constitute foreign property for Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act. The February 23, 2005 budget proposes to eliminate tax under Part XI of the Tax Act in respect of investments in foreign property by Plans, registered pension plans or other persons subject to tax under Part XI of the Act effective for months ending in 2005 and subsequent calendar years. See "Certain Canadian Federal Income Tax Considerations".

### **RISK FACTORS**

An investment in our Debentures is subject to a number of risks, including those set forth below and those set forth on pages 72 to 78 of our initial annual information form dated April 12, 2004 and our management's discussion and analysis for the year ended December 31, 2004.

#### **There is currently no trading market for the Debentures.**

There is currently no trading market for the Debentures. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Dundee REIT's financial condition, historic financial performance and future prospects.

#### **The Debentures are unsecured, subordinated obligations of Dundee REIT and the likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on our financial condition and creditworthiness. The indenture governing the Debentures contains limited covenant protection.**

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on our financial condition and creditworthiness. In addition, the Debentures are unsecured obligations of Dundee REIT and are subordinate in right of payment to all Dundee REIT's existing and future



Senior Indebtedness (as defined under “Details of the Offering — Subordination”). Therefore, if Dundee REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Dundee REIT’s assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of Dundee REIT’s subsidiaries except to the extent Dundee REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Indenture does not prohibit or limit the ability of Dundee REIT or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness and secured indebtedness) or to make distributions except in respect of cash distributions where an Event of Default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving Dundee REIT.

**The effect of certain transactions on the Debentures could substantially lessen or eliminate the value of the conversion privilege.**

In the case of certain transactions involving Dundee REIT that could occur in the future, the Debentures will become convertible into the securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debentures were convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if Dundee REIT were acquired in a cash merger, the Debentures would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Dundee REIT’s future prospects and other factors. See “Details of the Offering — Conversion Privilege”.

**Recent Canadian tax developments may affect an investment in the Debentures.**

On March 23, 2004, the Minister of Finance tabled in the House of Commons a Notice of Ways and Means Motion (the “Notice”). The Notice included a proposal to amend the Tax Act to subject certain taxpayers, being generally trusts governed by a registered pension plan, pension corporations and various tax-exempt pension investment corporations (“designated taxpayers”) to a special tax where, at the end of a month that ends after 2004, the cost amount to the designated taxpayer of “restricted investment property”, which includes direct or indirect interests in debt or units of a business income trust, exceeds 1% of the cost amount to it of all of its properties. Dundee REIT has not determined whether the Debentures would constitute “restricted investment property” for these purposes. The Notice also included a proposal to amend the Tax Act to subject a designated taxpayer to a special tax where, in general terms, at the end of a month that ends after 2004, the designated taxpayer and entities with which it does not deal at arm’s length hold more than 5% of the units of a class of a business income trust. In both cases, the new restrictions would be subject to a grace period for existing investments. On May 18, 2004, the Minister of Finance announced that the implementation of these proposed amendments is suspended pending further consultation with interested parties, following which further legislative proposals will be announced. In the February 23, 2005 budget, the Minister of Finance announced that he will release a consultation paper shortly after the budget. It cannot yet be determined whether such further legislative proposals will have an effect on Dundee REIT or on the status of Units and Debentures.

## PROMOTER

Dundee Realty took the initiative in our founding and organization and was therefore a promoter of Dundee REIT for the purposes of applicable securities legislation. We acquired our initial portfolio of properties and a joint interest in the property management business of Dundee Realty from Dundee Realty and a wholly-owned subsidiary of Dundee Realty on June 30, 2003. Those properties and the property management business had formerly been held in the commercial real estate division of Dundee Realty. Dundee Realty had acquired those properties through a series of acquisitions from 1996 to 2002.

As at February 25, 2005, Dundee Realty and Dundee Consolidated Properties (“DCP”), an affiliate of Dundee Realty, together held 8,040,432 LP Class B Units, Series 1 of Dundee Properties LP, our principal operating subsidiary, and the same number of Special Trust Units of Dundee REIT that were issued on a one-for-one basis with the LP Class B Units, Series 1. 6,909,245 LP Class B Units, Series 1 of Dundee Properties LP and the same number of Special Trust Units were issued to Dundee Realty and DCP in connection with the reorganization of Dundee Realty and our acquisition of our initial portfolio of properties; 1,131,187 LP Class B Units, Series 1 of Dundee Properties LP and the same number of Special Trust Units have been issued to Dundee Realty and DCP pursuant to the reinvestment of distributions under the limited partnership agreement governing Dundee Properties LP. The Special Trust Units held by Dundee Realty and DCP constitute 100% of the outstanding Special Trust Units of Dundee REIT. The Special Trust Units entitle the holders thereof to one vote for each Special Trust Unit held at all meetings of unitholders of Dundee REIT. As at February 25, 2005, the LP Class B Units, Series 1 of Dundee Properties LP and the Special Trust Units held by Dundee Realty and DCP effectively represented an equity and voting interest in Dundee REIT of approximately 32%.

## LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP on our behalf and by Torys LLP on behalf of the Underwriters.

The partners and associates of Osler, Hoskin and Harcourt LLP, as a group, and Torys LLP, as a group each beneficially own, directly and indirectly, less than 1% of the outstanding securities of Dundee REIT and its affiliates and associates.

## AUDITORS, REGISTRAR AND TRANSFER AGENT

Our auditors are PricewaterhouseCoopers LLP, chartered accountants, at its offices in Toronto, Ontario.

The transfer agent and registrar of the Units and Debentures is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

## AUDITORS’ CONSENT

We have read the preliminary short form prospectus of Dundee Real Estate Investment Trust (“Dundee REIT”) dated February 25, 2005 relating to the issue and sale of 5.7% Convertible Unsecured Subordinated Debentures of Dundee REIT due March 31, 2015. We have complied with Canadian generally accepted standards for an auditors’ involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the Trustees of Dundee REIT on the consolidated balance sheets of Dundee REIT as at December 31, 2004 and December 31, 2003 and the consolidated statements of net income, unitholders’ equity and cash flows for the year ended December 31, 2004 and the six months ended December 31, 2003. Our report is dated February 10, 2005.

(Signed) PricewaterhouseCoopers LLP  
**Chartered Accountants**

Toronto, Ontario  
February 25, 2005

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, securities legislation further provides the purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF DUNDEE REIT**

Dated: February 25, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

**DUNDEE REAL ESTATE INVESTMENT TRUST**

By: (Signed) MICHAEL J. COOPER  
President and Chief Executive Officer

By: (Signed) J. MICHAEL KNOWLTON  
Executive Vice-President and Chief Financial Officer

On Behalf of the Board of Trustees

By: (Signed) ROBERT G. GOODALL  
Trustee

By: (Signed) DUNCAN JACKMAN  
Trustee

**CERTIFICATE OF UNDERWRITERS**

Dated: February 25, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

TD SECURITIES INC.

SCOTIA CAPITAL INC.

By: (Signed) ANDREW G. PHILLIPS

By: (Signed) STEPHEN SENDER

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

DUNDEE SECURITIES CORPORATION

NATIONAL BANK FINANCIAL INC.

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID G. ANDERSON

By: (Signed) CRAIG J. SHANNON

By: (Signed) IAN MACLURE

DESJARDINS SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

TRILON SECURITIES CORPORATION

By: (Signed) JEFFREY OLIN

By: (Signed) JEFFREY B. ALLSOP

By: (Signed) TREVOR D. KERR

