



**NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS OF**

DUNDEE REALTY CORPORATION

to be held on June 23, 2003

- and -

NOTICE OF APPLICATION

- and -

MANAGEMENT INFORMATION CIRCULAR

**with respect to the proposed
acquisition of**

DUNDEE REALTY CORPORATION

- by -

DUNDEE BANCORP INC. AND OTHERS

and the sale of properties to

DUNDEE REAL ESTATE INVESTMENT TRUST

May 23, 2003



DUNDEE
REALTY
CORPORATION

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May 23, 2003

Dear Dundee Realty Shareholder:

The Board of Directors cordially invites you to attend the annual and special meeting (the "Meeting") of shareholders of Dundee Realty Corporation ("Dundee Realty") to be held at 4:00 p.m. (Toronto time) on June 23, 2003 at the Design Exchange, Toronto-Dominion Centre, 234 Bay Street, Toronto, Ontario. In addition to the regular annual meeting business, shareholders are being asked to consider the proposed acquisition (the "Acquisition") of Dundee Realty by means of a statutory arrangement, the sale of properties to a new real estate investment trust and related matters.

On May 20, 2003, Dundee Realty entered into an acquisition agreement with its principal shareholder, Dundee Bancorp Inc., and certain other parties providing for the Acquisition. Pursuant to the Acquisition, subject to receiving all required approvals, an affiliate of Dundee Bancorp Inc. will indirectly acquire all of the Dundee Realty common shares, and the commercial revenue producing properties of Dundee Realty will be reorganized into a new real estate investment trust to be named Dundee Real Estate Investment Trust ("Dundee REIT"). In consideration for their Dundee Realty Common Shares, public shareholders will receive \$3.00 in cash and one REIT Unit, Series A of Dundee REIT for each Dundee Realty common share held. The land and housing assets and certain other assets not appropriate for Dundee REIT will be retained by Dundee Realty, which will become indirectly owned by Dundee Bancorp Inc., certain of its affiliates and certain members of management of Dundee Realty. The property management business previously carried on by Dundee Realty will be carried on by Dundee Management LP, a limited partnership which will be jointly owned by Dundee Realty and Dundee REIT. After completion of the Acquisition, the public shareholders, Dundee Bancorp Inc., certain of its affiliates and certain members of management of Dundee Realty will hold units of Dundee REIT (or securities exchangeable for units of Dundee REIT) *pro rata* to their respective holdings of Dundee Realty common shares immediately before the Acquisition.

For the Acquisition to proceed, the special resolution (the "Acquisition Resolution") relating to the transfer of substantially all of the assets of Dundee Realty and the statutory arrangement forming part of the Acquisition must be approved by at least 66 $\frac{2}{3}$ % of the votes cast at the Meeting by holders of Dundee Realty common shares. In addition, the Acquisition Resolution must be approved by a simple majority of the votes cast at the Meeting by "minority shareholders", as determined in accordance with applicable law. The Acquisition is also subject to certain regulatory approvals and court approval.

The Board of Directors of Dundee Realty appointed a special committee of independent directors (the "Special Committee") to consider the Acquisition. The Special Committee considered at length the Acquisition and recommended that the Board of Directors authorize Dundee Realty to enter into the Acquisition Agreement and that it submit the Acquisition Resolution to a vote of the shareholders. In accordance with the recommendation of the Special Committee, the Board of Directors has authorized the submission of the Acquisition Resolution to shareholders without making a recommendation to shareholders with respect to voting on the Acquisition Resolution. Accordingly, shareholders should carefully review and consider the Acquisition and the investment considerations identified by the Special Committee and the Board of Directors and reach their own conclusion as to whether to vote for the Acquisition Resolution. Each of the members of the Board of Directors intends to vote for the Acquisition Resolution at the Meeting.

Included with this letter are a Notice of Annual and Special Meeting, the Management Information Circular (the "Circular"), a Form of Proxy and a Letter of Transmittal relating to the Meeting. The accompanying Circular provides a detailed description of the Acquisition, a description of the business of Dundee Realty, a description of the business to be carried on by Dundee REIT, historical financial information regarding the commercial real estate division of Dundee Realty and *pro forma* financial information regarding Dundee REIT, information regarding the valuations and fairness opinion received by the Special Committee from its financial advisor, RBC Dominion Securities Inc., a member company of RBC Capital Markets, and a discussion of certain tax matters. The Circular is lengthy because of the complexity of the structure of the Acquisition and the need to comply with certain legal requirements. A summary of certain of the information in the Circular concerning the Acquisition begins on page 15 of the Circular. We urge you to consider carefully all the information in the Circular. If you require assistance, please consult your financial, legal or other professional advisors. If you require assistance in voting your Dundee Realty common shares or if you require additional proxy materials, please contact Carol Webb, our Director, Corporate Communications, directly in the manner set out on page 14 of the Circular.

It is important that your Dundee Realty common shares be represented at the Meeting. Whether or not you are able to attend the Meeting in person, if you are a registered shareholder, please complete, sign and date the enclosed Form of Proxy and return it in the envelope provided as soon as possible. If you are not a registered shareholder and you hold Dundee Realty common shares through an investment dealer, bank, trust company or other intermediary, you should read their instructions to you regarding how to provide voting instructions with respect to your shares. You may also wish to contact that intermediary for information about how to vote your shares.

A registered holder of Dundee Realty common shares will not receive the \$3.00 cash payment and the certificate representing units of Dundee REIT until the Letter of Transmittal has been received, together with the holder's existing Dundee Realty share certificates and all other required documentation, by Computershare Trust Company of Canada. Please read the instructions in the Letter of Transmittal carefully. If the Acquisition Resolution is not approved at the Meeting, or any adjournment or postponement thereof, or if the Acquisition does not otherwise proceed, your Dundee Realty share certificates will be returned to you by Computershare Trust Company of Canada.

The completion of the Acquisition will occur as soon as practicable following the satisfaction of all of the required conditions to completion of the Acquisition, including court approval.

On behalf of Dundee Realty, I would like to thank all shareholders for their ongoing support as we prepare to take part in this important event for Dundee Realty. We are committed to a successful transaction and believe that it will better position us to meet the evolving needs of our securityholders and our tenants.

Yours very truly,



Michael J. Cooper,
President and Chief Executive Officer

INFORMATION FOR ALL SHAREHOLDERS

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither the delivery of this Information Circular nor any distribution of the securities referred to in this Information Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Information Circular.

No person has been authorized to give any information or make any representation in connection with the matters proposed to be considered at the Meeting other than those contained in or incorporated by reference into this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

Unless otherwise noted, the information provided in this Information Circular is given as of April 30, 2003. All references in this Information Circular to ownership of Dundee REIT assume that Options to acquire 721,727 Common Shares are exercised prior to Closing, that all other Options are surrendered for cancellation and that 15,000 units of Dundee REIT are issued to the Corporation for distribution to its employees, or to employees of its subsidiaries, in accordance with the Arrangement.

FORWARD LOOKING STATEMENTS

This Information Circular contains, or incorporates by reference documents that contain, forward-looking statements. These statements relate, but are not limited to, the Corporation's expectations, intentions, plans and beliefs. In some cases, you can identify forward-looking statements by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. You should be aware that these statements are subject to known and unknown risks, uncertainties and other factors, including the risks discussed under the heading "Risk Factors" in this Information Circular. Actual events or results may differ materially from those suggested by any forward-looking statements. You should not place undue reliance on any forward-looking statements contained, or incorporated by reference in, this Information Circular.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although management of the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. None of the Corporation, Dundee REIT nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or such other factors which affect this information, except as required by law.

INFORMATION FOR UNITED STATES SHAREHOLDERS

The REIT Units and other securities to be issued to Shareholders pursuant to the Arrangement have not been registered under the United States *Securities Act of 1933*, as amended (the "1933 Act"), and are being issued in reliance on an exemption from the registration requirements of the 1933 Act. The solicitation of proxies made pursuant to this Information Circular is not subject to the requirements of Section 14(a) of the United States *Securities Exchange Act of 1934*, as amended (the "1934 Act"). Accordingly, this Information Circular has been prepared in accordance with disclosure requirements applicable in Canada. Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and to proxy statements under the 1934 Act. The financial statements of the Corporation, Dundee REIT and the commercial real estate division of the Corporation to be transferred to Dundee REIT included or incorporated by reference in this Information Circular have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence

standards, and thus are not comparable in all respects to financial statements of United States companies. Similarly, unless expressly noted, information concerning the operations of the Corporation, Dundee REIT and the commercial real estate division of the Corporation to be transferred to Dundee REIT contained herein has been prepared in accordance with Canadian standards and is not comparable in all respects to similar information for United States companies.

Except as otherwise indicated, all dollar amounts indicated in this Information Circular are expressed in Canadian dollars. Any United States shareholders are advised to consult their tax advisors to determine the particular tax consequences to them of the Acquisition.

The enforcement by Shareholders of civil liabilities under United States securities laws may be affected adversely by the fact that the Corporation, Dundee REIT and the other parties involved in the Acquisition are organized or settled, as applicable, under the laws of a jurisdiction other than the United States, that most of their respective officers, directors and trustees are residents of countries other than the United States, that the experts named in this Information Circular are residents of countries other than the United States, and that a majority of the assets of the Corporation, Dundee REIT and such persons are located outside of the United States.

Neither the Acquisition nor this Information Circular has been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission, or other regulatory authority, nor have any of the foregoing authorities or any Canadian securities commission passed upon or endorsed the merits of the Acquisition. Any representation to the contrary is a criminal offense.

Notice to the residents of the state of New York: the Corporation is engaged in and, after the Acquisition, Dundee REIT will be primarily engaged in the ownership of real estate. New York law regulates the issuance and sale of real estate related securities to persons residing in New York. Since Dundee REIT does not intend to register the REIT Units in New York or otherwise comply with the applicable New York laws regulating the issuance and sale of the REIT Units, the Corporation will direct that the REIT Units, Series A which would otherwise be allocated to the accounts of persons who are shareholders of the Corporation residing in the State of New York (the "New York Shareholders") be transferred by the Depositary to a single agent (the "Vendor").

The Corporation has made arrangements for the Vendor to sell the REIT Units, Series A that would otherwise be allocated to the New York Shareholders (the "New York REIT Units") on the TSX or in private transactions through one or more brokers selected by it as soon as practicable and to have the Depositary remit the proceeds of sale, net of commissions, *pro rata* to the New York Shareholders.

It is intended that the REIT Units, Series A will begin to trade on the TSX as soon as practicable after the completion of the Acquisition and all listing formalities.

There can be no assurance, however, that the Vendor will be able to sell all of the New York REIT Units received by it on the TSX immediately. Furthermore, because there is no established trading market for the REIT Units, Series A, there can be no prediction regarding what the per unit net proceeds of sale will be.

Notice to residents of the state of New Hampshire: Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated ("RSA 421-B") with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

DUNDEE REALTY CORPORATION

30 Adelaide Street East, Suite 1600

Toronto, Ontario

M5C 3H1

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 23, 2003

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "Meeting") of the shareholders of Dundee Realty Corporation (the "Corporation") will be held at 4:00 p.m. (Toronto time) on June 23, 2003 at the Design Exchange, Toronto-Dominion Centre, 234 Bay Street, Toronto, Ontario for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2002, together with the report of the auditors thereon;
2. to consider and, if thought fit, pass a special resolution in the form attached as Appendix A to the management information circular which accompanies this notice (the "Information Circular"), determining the number of directors of the Corporation;
3. to elect directors of the Corporation to serve for a term expiring on the earlier of the effective time of the Arrangement and the next annual meeting of the Corporation's shareholders;
4. to consider and, if thought fit, pass an ordinary resolution appointing PricewaterhouseCoopers LLP, chartered accountants, as the auditors of the Corporation and authorizing the directors of the Corporation to fix the remuneration of such auditors;
5. to consider and, if thought fit, pass a special resolution (the "Acquisition Resolution") in the form attached as Appendix B to the Information Circular, authorizing and approving:
 - (a) the sale of substantially all of the Corporation's commercial revenue producing properties to Dundee Properties Limited Partnership, which will be partially indirectly owned by Dundee Real Estate Investment Trust ("Dundee REIT"), and the sale of the Corporation's property management business to Dundee Management Limited Partnership, being substantially all of the assets of the Corporation; and
 - (b) an arrangement under Section 182 of the *Business Corporations Act* (Ontario),all as more particularly described in the Information Circular;
6. if the Acquisition Resolution is passed, to consider and, if thought fit, pass an ordinary resolution appointing PricewaterhouseCoopers LLP, chartered accountants, as the auditors of Dundee REIT for the ensuing year and authorizing the trustees of Dundee REIT to fix the remuneration of such auditors;
7. if the Acquisition Resolution is passed, to consider and, if thought fit, pass an ordinary resolution authorizing and approving the adoption of a deferred unit incentive plan for Dundee REIT; and
8. to transact such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

Record Date

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is May 9, 2003. Shareholders of record at the close of business on May 9, 2003 will be entitled to vote at the Meeting except to the extent that a holder has transferred any Common Shares after such

record date and the transferee of such Common Shares produces properly endorsed share certificates or otherwise establishes that the transferee owns the Common Shares and requests, not later than ten days before the Meeting, that his or her name be included in the list of the shareholders entitled to receive notice of the Meeting, in which case the transferee is entitled to vote such Common Shares at the Meeting.

Voting Procedures

The procedures by which shareholders may exercise their right to vote with respect to matters at the Meeting will vary depending on whether shareholders are registered shareholders, being those who hold Common Shares directly in their own names and are entered in the register of shareholders of the Corporation, or non-registered shareholders, being those who hold Common Shares through an intermediary such as a bank, trust company or investment dealer.

Registered Shareholders

In order to vote with respect to matters at the Meeting, registered shareholders must either: (a) attend the Meeting in person; or (b) sign, date and return the enclosed form of proxy, or such other proper form of proxy prepared for use at the Meeting, or otherwise follow the proxy voting procedures required by law. Any proxy to be used at the Meeting must be deposited prior to the deadline on Thursday, June 19, 2003 at 4:00 p.m. (Toronto time), or otherwise at least 48 hours (excluding Saturdays and holidays) prior to the time set for any adjournment or postponement of the original meeting. Registered shareholders may vote by proxy by any of the following means:

- **by mail** (a pre-paid, pre-addressed return envelope is enclosed), **by hand or by courier** to the address listed on your form of proxy; or
- **by fax** toll free to 1-866-249-7775 (Canada and U.S.), or direct dial to 001-416-263-9524 (international).

Non-Registered Shareholders

A substantial number of shareholders do not hold Common Shares in their own name. Common Shares may be beneficially owned by a person but registered either (a) in the name of an intermediary (an "Intermediary") such as, among others, banks, trust companies, investment dealers, brokers or trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or (b) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. If Common Shares are shown in an account statement provided to the shareholder by the Intermediary, in almost all cases those shares will not be registered under the name of the shareholder in the records of the Corporation. **Please note that only proxies deposited by registered shareholders can be recognized and acted upon at the Meeting. As a consequence, non-registered shareholders should read their Intermediaries' instructions to them regarding how to provide voting instructions with respect to their shares. They may also wish to contact their Intermediaries in order to obtain instructions regarding how to exercise their right to vote Common Shares that they beneficially own.**

DATED at Toronto, Ontario this 23rd day of May, 2003.

By Order of the Board of Directors
of Dundee Realty Corporation



Michael J. Cooper
President and Chief Executive Officer

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QUESTIONS AND ANSWERS ABOUT THE ACQUISITION

The following questions and answers are to help you understand the proposed Acquisition and the other matters described in this Information Circular. However, these questions and answers do not describe everything that you should consider before you vote on the matters at the Meeting. Accordingly, you should read this Information Circular and the Appendices hereto in their entirety.

Q1. What is the Acquisition?

- A1. An affiliate of Dundee Bancorp Inc. (“DBI”) is proposing to acquire the Common Shares of Dundee Realty Corporation (the “Corporation”) as part of a transaction (the “Acquisition”) that would reorganize the Corporation’s commercial revenue producing properties into a real estate investment trust to be named “Dundee Real Estate Investment Trust” (“Dundee REIT”). The Acquisition will be effected as a multi-step transaction that will include a statutory arrangement under Ontario law.

The Acquisition will result in the sale of substantially all of the Corporation’s commercial revenue producing properties and the Corporation’s property management business to two new limited partnerships in which Dundee REIT and the Corporation will be the ultimate partners. As part of the proposal, the Corporation’s land and housing development business and certain other assets not appropriate for Dundee REIT will continue to be owned by the Corporation. The Corporation will become a private company indirectly owned by DBI, certain of its affiliates and certain members of management of the Corporation. The common shares of the Corporation (the “Common Shares”) will no longer be listed on the TSX.

For more information, see page 55.

Q2. What is Dundee REIT?

- A2. Dundee REIT is a trust formed to acquire substantially all of the Corporation’s commercial revenue producing properties and other related assets and liabilities. Dundee REIT’s objectives are to provide its unitholders with monthly cash distributions on a Canadian income tax-deferred basis and increase the value of its units through the effective management of those commercial revenue producing properties and the acquisition of additional properties.

For more information, see page 70.

Q3. Why is the Acquisition being proposed at this time?

- A3. In the summer of 2002, two principal considerations caused the Corporation with the assistance of its tax advisors to explore potential transactions to enhance shareholder value: firstly, as presently organized, the Corporation would become taxable prior to the end of 2004 which could result in a reduction in funds from operations which could lead to a decline in the trading price of the Common Shares; secondly, the Common Shares were trading on the TSX at a price which, in the view of management of the Corporation, did not reflect their underlying value. Since that time, management has considered a number of alternatives designed to allow the Corporation to continue to produce competitive rates of return. These included reorganizing some or all of the assets of the Corporation into a real estate investment trust structure. Commencing in late November 2002 through January 2003, management of the Corporation held a series of meetings with management of DBI to discuss the acquisition of the Corporation and the reorganization of the Corporation’s commercial revenue producing properties into a real estate investment trust. The Acquisition represents the culmination of those meetings and, in management’s view, the most attractive of the alternatives management has reviewed.

For more information, see page 41.

Q4. If the Acquisition is completed, what will I receive for my Common Shares?

A4. Public shareholders of the Corporation will receive \$3.00 in cash and one REIT Unit, Series A for each Common Share held. Each REIT Unit, Series A gives the holder an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. Dundee REIT will indirectly hold an interest in the limited partnership (“Dundee Properties LP”) that will acquire the Corporation’s revenue producing properties.

DBI and certain of its affiliates will not receive REIT Units, Series A for their Common Shares. Instead, when the Acquisition is completed, they will hold, through subsidiaries, their *pro rata* interest in Dundee Properties LP.

For more information, see the diagram on page 61.

Q5. Why aren’t all shareholders of the Corporation getting REIT Units, Series A and cash?

A5. While the structure of the Acquisition is complicated, the Corporation believes that this structure is the most tax-efficient means of effecting the transaction from the perspective of the Corporation and its public shareholders. The structure allows the REIT Units, Series A to be distributed to public shareholders in a manner that will save the Corporation from incurring a substantial tax liability of approximately \$40 million that would otherwise be incurred had all of the Corporation’s shareholders received REIT Units.

The limited partnership units that DBI will indirectly receive will be economically equivalent to the REIT Units. DBI will receive distributions on its limited partnership units *pro rata* with distributions on units of Dundee REIT. DBI will also receive special voting units of Dundee REIT that will allow it to exercise the same voting rights at meetings of unitholders of Dundee REIT as those exercised by holders of other units of Dundee REIT. The limited partnership units may be surrendered to Dundee Properties LP at any time in exchange for units of Dundee REIT. The limited partnership units indirectly held by DBI will not be listed on any stock exchange. The limited partnership units will initially have a nominal tax basis, which means that any tax liability resulting from a taxable disposition of the limited partnership units will ultimately be borne by DBI.

Following the Acquisition, each shareholder of the Corporation (“Shareholders”) will have the same *pro rata* interest in the revenue producing properties of the Corporation that are being transferred to Dundee REIT, as it had before the Acquisition.

For more information, see page 112 and see also “The Acquisition — RBC Valuations and Fairness Opinion — Distinctive Material Benefit” on page 53.

Q6. Will I be able to trade the securities that I receive for my Common Shares?

A6. Yes. The REIT Units, Series A which Shareholders will receive in exchange for Common Shares have been conditionally approved for listing on the Toronto Stock Exchange (the “TSX”) and, subject to the satisfaction of certain conditions prescribed by the TSX, will be listed on the TSX under the symbol “D.UN”.

For more information, see pages 68 and 70.

Q7. On what am I being asked to vote at the meeting?

A7. At the annual and special meeting of Shareholders (the “Meeting”), Shareholders will be asked to consider and approve a number of matters relating to the Corporation that are typically dealt with as regular business at the annual meeting of shareholders, as well as matters relating to the Acquisition that constitute the special business of the Meeting. The annual meeting business that shareholders will be asked to consider will include the determination of the number of directors of the Corporation, the election of directors of the Corporation and the appointment of Price-waterhouseCoopers LLP, chartered accountants, as the auditors of the Corporation. As part of the

special business of the Meeting, shareholders will be asked to vote on a resolution approving certain transactions that are part of the Acquisition (the "Acquisition Resolution"). If the Acquisition Resolution is approved by Shareholders, Shareholders will also be asked to vote on the appointment of PricewaterhouseCoopers LLP, chartered accountants, as the auditors of Dundee REIT and to approve a deferred unit incentive plan for Dundee REIT.

Q8. How should I vote in respect of the Acquisition Resolution?

- A8. In accordance with the recommendation of the Special Committee, the Board of Directors has authorized the submission of the Acquisition Resolution to Shareholders without making a recommendation to Shareholders with respect to voting on the Acquisition Resolution. Accordingly, Shareholders should carefully review and consider the Acquisition and the investment considerations identified by the Special Committee and the Board of Directors and reach their own conclusion as to whether to vote for the Acquisition Resolution.

The investment considerations that the Special Committee and the Board of Directors recommend that Shareholders consider are the following: (i) the per Common Share value of the consideration to be received by the public shareholders in connection with the Acquisition was determined by RBC Dominion Securities Inc. ("RBC") to be in the range of \$23.50 to \$25.00 and the fair market value of the Common Shares was determined by RBC to be in the range of \$24.75 to \$28.25; (ii) the per Common Share value of the consideration to be received by the public shareholders in connection with the Acquisition was determined by RBC to be in the range of \$7.50 to \$9.00 greater than the 20 day weighted average trading price of the Common Shares on the TSX before the January 27, 2003 announcement by the Corporation in respect of the Acquisition, which value represents a premium of approximately 47% to 56% over the pre-announcement price; (iii) if the Acquisition is not completed, the trading value of the Common Shares may decline to levels below the per Common Share value of the consideration to be received by the public shareholders in connection with the Acquisition and may return to levels comparable to the pre-announcement price; (iv) the \$3.00 per Common Share to be paid to the public shareholders is below the fair market value range as calculated by RBC of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share; (v) it is reasonable to assume that, if the Retained Net Assets were held by a stand-alone publicly traded entity, the shares or other equity interests in that entity would trade at a discount to the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation (\$6.50 to \$8.50 per Common Share) which, in accordance with the requirements of OSC Rule 61-501 and CVMQ Policy Q-27, was prepared without any downward adjustment to reflect the liquidity of the Retained Net Assets or any discount reflective of a minority interest; (vi) the governance and management arrangements of Dundee REIT do not include certain elements requested by the Special Committee; (vii) there are procedural protections in place in connection with the approval of the Acquisition; and (viii) DBI holds approximately 44.7% of the outstanding Common Shares and does not wish to sell its position; accordingly, it is unlikely that an alternative transaction could emerge that would provide greater value to the public shareholders than the Acquisition.

For more information, see page 48.

Q9. What votes are required to approve the Acquisition Resolution and all other resolutions?

- A9. Each of the Acquisition Resolution and the resolution determining the number of directors of the Corporation must be approved by at least 66²/₃% of the votes cast by all Shareholders who are represented at the Meeting, voting together as a single class. In addition, the Acquisition Resolution must be approved by a simple majority of the votes cast by all "Minority Shareholders" represented at the Meeting. The term "Minority Shareholders" excludes Shareholders such as DBI, its affiliates and the directors and senior officers of the Corporation and DBI. As required by the TSX, the resolution authorizing and approving the adoption of a deferred unit incentive plan for Dundee REIT must be approved by a majority of the votes cast by Shareholders, other than those owned by

insiders of the Corporation who will participate in the deferred unit incentive plan and their associates. Accordingly, the votes of Shareholders such as DBI, its affiliates and the directors and senior officers of the Corporation will be excluded for the purposes of authorizing and approving this resolution. Each other matter on which Shareholders may vote at the Meeting must be approved by a simple majority of the votes cast by all Shareholders represented at the Meeting.

Q10. When do you expect the Acquisition to be completed?

A10. We will complete the Acquisition when all of the conditions to the completion of the Arrangement are satisfied or waived in accordance with the acquisition agreement relating to the Acquisition. In addition to the approval of the shareholders at the Meeting, the statutory arrangement forming part of the Acquisition must be approved by the Ontario Superior Court of Justice. The completion of the Acquisition is also conditional upon various other conditions, including the receipt of all necessary consents of lenders to and co-owners with the Corporation. Although we are working to satisfy all conditions to the completion of the Acquisition, we cannot assure you that all such conditions will be satisfied.

Q11. What if all of the conditions to the Acquisition are not satisfied?

A11. The completion of the Acquisition is subject to a number of conditions that must be satisfied or waived. If these conditions are not satisfied or waived, the Acquisition will not be completed and the Corporation will continue to carry on its business as presently conducted.

If the Acquisition is not completed, the trading value of the Common Shares may return to levels comparable to the trading value of the Common Shares prior to the announcement of the Acquisition which were significantly below the value of the consideration to be received by public shareholders pursuant to the Acquisition. It is also anticipated that the Corporation will utilize its existing tax losses and commence paying income tax prior to the end of 2004, which will negatively impact future cash flow and may also have an impact on the trading value of the Common Shares.

Q12. What should I do now? How can I vote?

A12. You should read and carefully consider the information contained in this Information Circular. You should also determine whether you hold Common Shares directly in your name or through an investment dealer, bank, trust company or other intermediary, since this will determine the procedures that you must follow in order to vote with respect to matters at the Meeting. If you determine that you are a registered Shareholder, you should either attend the Meeting or follow the instructions for completing and returning the enclosed form of proxy described in this Information Circular and on the form of proxy. If you determine that you are a non-registered Shareholder, you should read the instructions of your intermediary to you regarding how to provide voting instructions with respect to your shares. You may also wish to contact the intermediary through which you hold Common Shares in order to obtain information about how to vote your Common Shares.

For more information, see pages 35-38.

Q13. Is my vote important?

A13. Yes. For this reason, you are urged to carefully consider and vote with respect to the matters described in this Information Circular.

Q14. If my Common Shares are held through an intermediary such as my investment dealer or bank, will my investment dealer or bank vote my Common Shares for me without my instructions?

A14. No. If your Common Shares are held through an intermediary, such as an investment dealer, bank or trust company, your intermediary is prohibited from voting your Common Shares without

instructions from you. As every investment dealer or other intermediary has its own procedures for obtaining voting instructions from shareholders, you should carefully review and follow those procedures to ensure that your Common Shares are voted at the Meeting.

For more information, see page 36.

Q15. What happens if I don't indicate how to vote on my form of proxy?

A15. If you are a registered Shareholder and you sign and deliver your proxy, but do not include instructions on how to vote, your Common Shares will be voted **FOR** each matter referred to in the form of proxy.

For more information, see page 37.

Q16. If I have share certificates evidencing Common Shares, should I deliver them now?

A16. While you are not required to deliver the share certificates representing your Common Shares at this time, if you have share certificates, you must deliver them together with your completed letter of transmittal and all other required documents in order to receive the cash and the certificates representing the REIT Units, Series A to which you will be entitled upon the successful completion of the Acquisition.

If you are a registered shareholder, a cheque and certificates representing the REIT Units, Series A, will, as soon as practicable after the successful completion of the Acquisition, be forwarded to you at the address specified in your letter of transmittal by insured first class mail or will be available for you to pick-up at the offices of Computershare Trust Company of Canada at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, if requested in your letter of transmittal.

If you are a registered shareholder and the share certificate representing your Common Shares has been lost, destroyed or misplaced, you should immediately contact Computershare Trust Company of Canada in writing to obtain a replacement share certificate.

If you are a non-registered shareholder, you may not have to complete a letter of transmittal in order to obtain your REIT Units, Series A and cash upon the successful completion of the Acquisition. However, you should read your intermediary's instructions to you regarding the procedures for obtaining those units and cash and also consider contacting your intermediary if you have any questions regarding this process.

For more information, see pages 68-69.

Q17. What are the income tax consequences to me of the Acquisition?

A17. A Shareholder will generally realize a capital gain (or sustain a capital loss) equal to the amount by which the total of the fair market value of the REIT Units, Series A plus the cash received by the Shareholder exceeds (or is exceeded by) the tax cost of the Shareholder's Common Shares, net of any reasonable costs of making the disposition. One-half of any such capital gain must be included in income and one-half of any such capital loss may be utilized to offset taxable capital gains in accordance with the provisions of the *Income Tax Act* (Canada).

The transactions under the Acquisition will generally not give rise to any tax being payable under the *Income Tax Act* (Canada) by Shareholders (other than dissenting Shareholders) who are non-residents.

There are additional income tax consequences of the Acquisition described in this Information Circular.

For more information, see pages 144-152.

Q18. Are there risks I should consider in deciding whether to vote for the Acquisition?

A18. Yes. There are a number of risk factors that you should consider in connection with the Acquisition which are described in this Information Circular in the section entitled “Risk Factors” at pages 153-161.

Q19. What rights do I have to dissent from the Acquisition Resolution?

A19. Registered Shareholders have the right to dissent in respect of the Acquisition Resolution and to be paid the fair value of their Common Shares. To dissent, a registered Shareholder must provide the Corporation with a written objection to the Acquisition Resolution prior to the Meeting and otherwise strictly comply with the procedures for dissenting described in this Information Circular. If a registered Shareholder who has provided a written objection to the Acquisition Resolution subsequently votes directly or by proxy in favour of the Acquisition Resolution, the Shareholder will no longer be considered to have dissented in respect of the Acquisition Resolution, will not be entitled to be paid the fair value of the Shareholder’s Common Shares and will be considered to have participated in the statutory arrangement that forms part of the Acquisition. The Corporation will not consider a vote against the Acquisition Resolution to be a written objection to the Acquisition Resolution. Beneficial owners of Common Shares registered in the name of an intermediary, such as an investment dealer, bank or trust company, or in the name of a clearing agency, should be aware that only registered Shareholders are entitled to dissent in respect of the Acquisition Resolution. If you do not strictly follow the requirements relating to your right to dissent, you may lose your right to be paid the fair value of your Common Shares.

If holders of more than 1% of the outstanding Common Shares exercise their right to dissent, DBI will have the right not to complete the Acquisition.

For more information, see pages 161-163.

Q20. Where can more information about the Corporation be found?

A20. As required by applicable securities legislation and regulatory requirements, the Corporation periodically files information with various securities regulatory authorities in Canada. This information can be viewed at or copied from the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com or the Corporation’s website at www.dundeerealty.com

Q21. Who should I contact with questions regarding the Acquisition?

A21. You may call Carol Webb, Director, Corporate Communications, of the Corporation, at 416-365-3536. Alternatively, you may fax the Corporation at 416-365-3545 or e-mail the Corporation at info@dundeerealty.com.

SUMMARY

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. You should read this Information Circular and the Appendices hereto in their entirety. For an explanation of certain defined terms used in this Summary and in this Information Circular, please refer to the "Glossary of Terms and Expressions".

The Meeting

The Meeting will be held on June 23, 2003 at 4:00 p.m. (Toronto time) at the Design Exchange, Toronto-Dominion Centre, 234 Bay Street, Toronto, Ontario.

Annual Meeting Business

Shareholders will be asked to consider and approve a number of matters relating to the Corporation that are typically dealt with as regular business at the annual meeting of shareholders. In particular, Shareholders will be asked to vote on a special resolution determining the number of directors of the Corporation. Shareholders will also be asked to elect the directors and appoint the auditors of the Corporation.

The Acquisition

Shareholders will be asked to consider and, if thought fit, pass a special resolution authorizing and approving the transfer of the assets of the Corporation and the statutory arrangement forming part of the Acquisition. DBI is proposing to acquire the Corporation pursuant to the Acquisition, which would result in the reorganization of the commercial revenue producing properties of the Corporation into a real estate investment trust to be named "Dundee Real Estate Investment Trust" or "Dundee REIT".

The Acquisition will be effected as a multi-step transaction. The Acquisition will involve (a) the Amalgamation, (b) the sale of the RP Properties by the Corporation and its affiliates to Dundee Properties LP and the transfer of the property management business of the Corporation to Dundee Management LP, and (c) the Arrangement. If the Acquisition Resolution is approved in the manner described in this Information Circular, completion of the Acquisition will result in the acquisition by an affiliate of DBI of all of the issued and outstanding Common Shares, the indirect transfer of substantially all of the commercial revenue producing properties of the Corporation to Dundee REIT, the transfer of the property management business of the Corporation to Dundee Management LP (to be jointly owned by Dundee REIT and the Corporation) and the retention by the Corporation of the land and housing assets of the Corporation and certain other assets not appropriate for Dundee REIT.

Following the Acquisition, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders and the Common Shares will no longer be listed on the TSX. See "The Acquisition Agreement and the Plan of Arrangement — Effects of the Acquisition".

In connection with the Acquisition, Public Shareholders will receive \$3.00 in cash and one REIT Unit, Series A for each Common Share held.

The Amalgamation

On the Effective Date, the Corporation will be amalgamated with three of its wholly-owned subsidiaries, DDC, Park Home Holdings and DRI, to continue under the name "Dundee Realty Corporation".

The Sale of the RP Properties and the Property Management Business

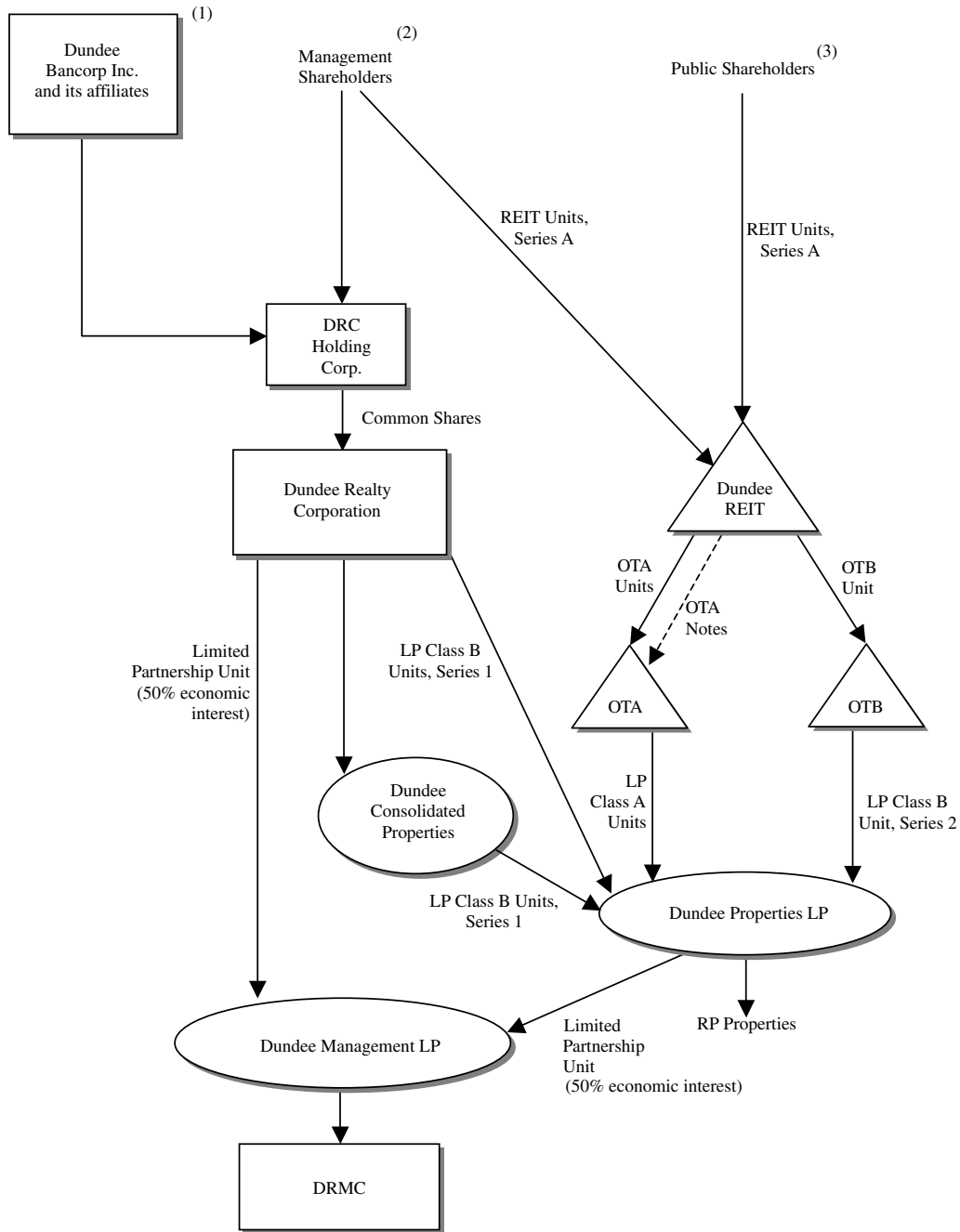
Immediately prior to the commencement of the Arrangement on the Effective Date, Dundee Properties LP will acquire the RP Properties and Dundee Management LP will acquire the property management business of the Corporation.

The Arrangement

The Arrangement will be implemented in a series of transactions pursuant to the Plan of Arrangement, which is attached as Appendix I to the Acquisition Agreement.

Post-Acquisition Organizational Structure

The following diagram sets out the simplified organizational structure of the Corporation, Dundee REIT and the entities participating in the Acquisition following the Effective Time of the Arrangement:



- (1) DBI and its affiliates will indirectly hold LP Class B Units, Series 1, which will effectively represent an equity interest in Dundee REIT of approximately 42.7%.
- (2) Management Shareholders and their associates will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 8.2%.
- (3) Public Shareholders will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 49.1%.

Background to and Reasons for the Acquisition

The Corporation became public in 1996 and experienced substantial growth in its assets from approximately \$5 million in 1996 to over \$1 billion in mid-1998. At that time, approximately 85% to 90% of the assets of the Corporation consisted of revenue producing properties and approximately 10% to 15% of its assets were land and housing properties.

From mid-1998 to the spring of 2002, the Corporation continued to develop its portfolio of properties. The Corporation benefited from a strong return on investment on its revenue producing property portfolio and the land and housing business. The Corporation was not paying income tax and was able to use its excess cash flow to acquire Common Shares that were trading on the TSX at prices that were below management's view of their underlying value. This combination produced competitive rates of return for the Corporation.

In the summer of 2002, two principal considerations caused the Corporation with the assistance of its tax advisors to explore potential transactions to enhance Shareholder value: firstly, as presently organized, the Corporation would become taxable prior to the end of 2004 which could result in a reduction in funds from operations which could lead to a decline in the trading price of the Common Shares; secondly, the Common Shares were trading on the TSX at a price which, in the view of management of the Corporation, did not reflect their underlying value. Through the fall of 2002, management of the Corporation with the advice of its tax advisors considered a number of alternative transactions.

Management of the Corporation concluded that the most attractive transaction would be to provide each of the Public Shareholders with a unit of a real estate investment trust and an amount of cash for each Common Share held by them. Although such a transaction would be a taxable transaction for the Public Shareholders, non-resident Public Shareholders, pension funds, individuals who held their Common Shares in a registered retirement savings plan and other tax exempt Public Shareholders should generally not be liable to pay Canadian income tax on a disposition of their Common Shares.

Commencing in late November 2002 through January 2003, management of the Corporation held a series of meetings with management of DBI to discuss the acquisition of the Corporation and the reorganization of the Corporation's commercial revenue producing properties into a real estate investment trust. After consideration by DBI of the proposed restructuring alternatives submitted by management of the Corporation, DBI proposed a reorganization whereby DBI would receive, as part of the reorganization, non-listed limited partnership units which would initially have a nominal tax basis and the Public Shareholders would receive cash and publicly-traded units of the real estate investment trust. This reorganization would avoid triggering any immediate tax liability for the Corporation, while any tax liability resulting from a taxable disposition of the limited partnership units would ultimately be borne by DBI. This proposal would result in DBI privatizing the land and housing assets of the Corporation. DBI invited some of the senior management of the Corporation to join in the ownership of the land and housing assets by way of reorganization.

At a meeting of the Board of Directors held on January 27, 2003, the Board of Directors considered the proposal from DBI to offer the Public Shareholders one unit in Dundee REIT and \$3.00 for each Common Share. The Board of Directors discussed the proposed structure and procedure for undertaking such a transaction, the strategic implications for reorganizing the Corporation's businesses in such a manner and the potential value enhancement for Shareholders. The Board of Directors considered the following factors in its review and discussion of the proposal:

- (a) the Corporation has characteristics that are suited to a real estate investment trust structure, including:
 - (i) historically the Corporation has had consistently profitable operations characterized by substantial EBITDA margins; and
 - (ii) the Corporation has the geographic, business and tenant diversification necessary to provide a consistent free cash flow;

- (b) a real estate investment trust structure would provide an effective model for a higher level of cash distributions than would be available under the existing corporate structure of the Corporation;
- (c) based on the valuation methodology that has been generally applied to real estate investment trusts, a real estate investment trust structure should result in more favourable market valuations for the units of the real estate investment trust as compared to the Common Shares;
- (d) it was anticipated that Dundee REIT would have greater access to the public capital markets to fund growth initiatives than is or would be available to the Corporation under current market conditions; and
- (e) it was anticipated that the units of Dundee REIT would be a more attractive form of non-cash consideration for use in connection with future acquisitions than the Common Shares.

Formation and Organization of Special Committee

On January 27, 2003, following their review and discussion of the proposal, with Messrs. Ned Goodman, David Goodman, Donald Charter and Michael Cooper having declared their interest in the proposed transaction and abstaining from voting, the Board of Directors resolved to appoint a special committee of directors independent of DBI and management of the Corporation to consider the proposed Acquisition.

Recommendation of the Special Committee

The Special Committee retained RBC as its financial advisor. RBC was retained to prepare the Dundee Realty Valuation, the REIT Valuation and the Retained Net Assets Valuation and to provide its opinion as to the fairness from a financial point of view of the consideration to be received by the Public Shareholders in connection with the Acquisition.

At a meeting of the Special Committee held on May 12, 2003, RBC delivered the RBC Valuations and Fairness Opinion to the Special Committee.

In the opinion of RBC, as at May 2, 2003:

- (a) *Dundee Realty Valuation*: the fair market value of the Common Shares is in the range of \$24.75 to \$28.25 per Common Share;
- (b) *REIT Valuation*: the fair market value of the REIT Units, Series A is in the range of \$20.50 to \$22.00 per REIT Unit, Series A; and
- (c) *Retained Net Assets Valuation*: the fair market value of the Retained Net Assets is in the range of \$6.50 to \$8.50 per Common Share.

In considering the fairness from a financial point of view of the consideration to be received by the Public Shareholders in connection with the Acquisition, RBC viewed the Acquisition as a distribution of the RP Properties to DBI, the Management Shareholders and the Public Shareholders *pro rata* to their respective holdings of Common Shares by means of a distribution of REIT Units (or LP Class B Units, Series 1 that are exchangeable for REIT Units) and an acquisition of the interest of the Public Shareholders in the Retained Net Assets by DBI and the Management Shareholders.

As a result, RBC principally considered and relied upon the following tests:

- (a) a comparison of the fair market value range of the REIT Units, Series A under the REIT Valuation to the implied trading value of the RP Properties as part of the Corporation before the January 27, 2003 announcement by the Corporation in respect of the Acquisition; and

- (b) a comparison of the \$3.00 per Common Share to be paid to the Public Shareholders to the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation per Common Share.

In the opinion of RBC, both of these tests must be met in order for the consideration to be received by the Public Shareholders in connection with the Acquisition to be fair from a financial point of view.

The fair market value range of the REIT Units, Series A under the REIT Valuation (\$20.50 to \$22.00 per REIT Unit, Series A) exceeds the \$16.10 closing price of the Common Shares (including the Retained Net Assets) on the TSX immediately before the January 27, 2003 announcement by the Corporation in respect of the Acquisition. The \$3.00 per Common Share to be paid to the Public Shareholders is below the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share.

RBC is of the opinion that, as of the date of the RBC Valuations and Fairness Opinion, the consideration to be received by the Public Shareholders in connection with the Acquisition is inadequate from a financial point of view.

At a meeting of the Special Committee held on May 12, 2003, the Special Committee finalized its report to the Board of Directors. The Special Committee concluded that it is in the best interests of the Corporation that the Acquisition be put to a vote of the Shareholders for acceptance or rejection. The Special Committee resolved to recommend that the Board of Directors:

- (a) authorize the Corporation to enter into the Acquisition Agreement;
- (b) submit the Acquisition Resolution to a vote of the Shareholders at the Meeting; and
- (c) make no recommendation to the Public Shareholders as to how they should vote in respect of the Acquisition Resolution but advise the Public Shareholders that they should take the investment considerations described under “The Acquisition — Investment Considerations” into account in determining how to vote in respect of the Acquisition Resolution.

Recommendation of the Board of Directors

At a meeting of the Board of Directors held on May 12, 2003, the Board of Directors authorized the Corporation to enter into the Acquisition Agreement, conditional on the satisfactory negotiation of the final terms of the Acquisition Agreement. The negotiation of the final terms of the Acquisition Agreement was concluded, and the Acquisition Agreement was signed, on May 20, 2003.

In accordance with the recommendation of the Special Committee, the Board of Directors has authorized the submission of the Acquisition Resolution to Shareholders without making a recommendation to Shareholders with respect to voting on the Acquisition Resolution. Accordingly, Shareholders should carefully review and consider the Acquisition and the investment considerations identified by the Special Committee and the Board of Directors and reach their own conclusion as to whether to vote for the Acquisition Resolution. Each of the directors has indicated to the Corporation that he intends to vote for the Acquisition Resolution at the Meeting.

Investment Considerations

The following is a summary of the investment considerations that the Special Committee and the Board of Directors believe Shareholders should consider in determining how to vote in respect of the Acquisition Resolution:

- (a) the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition was determined by RBC to be in the range of \$23.50 to \$25.00. The fair market value of the Common Shares was determined by RBC to be in the range of \$24.75 to \$28.25;

- (b) the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition was determined by RBC to be in the range of \$7.50 to \$9.00 greater than the 20 day weighted average trading price of the Common Shares on the TSX before the January 27, 2003 announcement by the Corporation in respect of the Acquisition. This value represents a premium of approximately 47% to 56% over the pre-announcement price;
- (c) if the Acquisition is not completed, the trading value of the Common Shares may decline to levels below the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition and may return to levels comparable to the pre-announcement price;
- (d) the \$3.00 per Common Share to be paid to the Public Shareholders is below the fair market value range as calculated by RBC of the Retained Net Assets under the Retained Net Assets valuation of \$6.50 to \$8.50 per Common Share;
- (e) it is reasonable to assume that, if the Retained Net Assets were held by a stand alone publicly traded entity, the shares or other equity interests in that entity would trade at a discount to the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share. In accordance with the requirements of OSC Rule 61-501 and CVMQ Policy Q-27, the Retained Net Assets Valuation was prepared without any downward adjustment to reflect the liquidity of the Retained Net Assets or any discount reflective of a minority interest;
- (f) the governance and management arrangements of Dundee REIT do not include the following elements requested by the Special Committee:
 - (1) there is no requirement that a majority of the Trustees, or that a majority of the members of the committees of the Trustees, be persons who are not appointed by DBI;
 - (2) there is no requirement that the chair of each committee of Trustees not be appointed by DBI;
 - (3) there is no requirement that a majority of Trustees on, or the chair of, the investment committee be Independent Trustees;
 - (4) DBI will continue to have the right to appoint one less than a majority of Trustees as long as DBI and its affiliates hold four million REIT Units or LP Class B Units Series 1, regardless of their percentage ownership interest in Dundee REIT; and
 - (5) property management and administrative services are provided to Dundee REIT by Dundee Management LP, a limited partnership owned 50% by Dundee REIT and 50% by the Corporation rather than wholly-owned by Dundee REIT;
- (g) the following procedural protections are in place in connection with the approval of the Acquisition:
 - (1) the directors of the Corporation who are not independent of DBI and the Management Shareholders abstained from voting in respect of the Acquisition;
 - (2) in order to be effective, the Acquisition must be approved by the affirmative vote of at least 66²/₃% of the votes cast by the Shareholders at the Meeting and by a majority of the votes cast by the Minority Shareholders at the Meeting;
 - (3) in order to become effective, the Acquisition must be approved by the Ontario Superior Court of Justice. In considering whether to approve the Acquisition, the Court will consider the fairness of the Acquisition to the Public Shareholders; and
 - (4) subject to the limitations set out under “Rights of Dissent”, the Public Shareholders will have the right to dissent in respect of the Acquisition Resolution and, if they do, to be paid the fair value of their Common Shares in cash; and

(h) DBI holds approximately 44.7% of the outstanding Common Shares and does not wish to sell its position. Accordingly, it is unlikely that an alternative transaction could emerge that would provide greater value to the Public Shareholders than the Acquisition.

The foregoing list is not intended to be exhaustive. In addition, the Special Committee and the Board of Directors did not assign any relative or specific weights to the investment considerations.

DBI advised the Special Committee that it does not consider a Trustee as non-independent merely because the Trustee has been appointed by DBI.

Dundee REIT

Dundee REIT is an unincorporated, open-ended real estate investment trust. The objectives of Dundee REIT are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, on a Canadian income tax deferred basis, from investments in the RP Properties; and (ii) to increase REIT Unit value through the effective management of the RP Properties and the acquisition of additional commercial revenue producing office, industrial or retail properties or interests therein. See “Information Concerning Dundee REIT”.

Pursuant to the Acquisition, Dundee REIT will indirectly own, through Dundee Properties LP, an interest in the RP Properties. As at March 31, 2003, the RP Properties consisted of direct and indirect interests in approximately 11.1 million square feet of revenue producing commercial office, industrial and retail real estate assets. The RP Properties represent a well balanced portfolio of commercial real estate assets, both from the stand-point of geographic diversification and mix of asset type, consisting of mid-sized suburban and downtown office buildings, warehouse industrial buildings and regional, mid-sized community and neighbourhood retail centres located in urban markets. As at March 31, 2003, the RP Properties enjoyed an average occupancy rate of approximately 94%. See “Information Concerning Dundee REIT — Revenue Producing Properties Portfolio”.

Dundee REIT currently intends to make cash distributions to holders of REIT Units, Series A and REIT Units, Series B on each monthly Distribution Date equal to at least 80% of Distributable Series A Income and Distributable Series B Income on an annual basis. Initially, no REIT Units, Series B will be outstanding. Holders of LP Class B Units, Series 1 may surrender such units in exchange for REIT Units, Series B pursuant to the terms of the Properties Limited Partnership Agreement. Prior to such surrender, holders of LP Class B Units, Series 1 will be entitled to receive distributions from Dundee Properties LP *pro rata* with distributions made by Dundee REIT on REIT Units, Series A and REIT Units, Series B. See “Distribution Policy” and “Information Concerning Dundee Properties LP”.

The senior officers of Dundee REIT have extensive experience in acquiring, developing and profitably managing office, industrial and retail properties. Dundee REIT will also, through its interest in Dundee Properties LP, jointly own Dundee Management LP, a limited partnership that will provide a range of management and other services to Dundee REIT, its subsidiaries and the Corporation following the Acquisition. See “Management of Dundee REIT — Senior Management”.

OTA and OTB

OTA and OTB are limited purpose trusts and their activities will be restricted to, among other things, investing in cash and certain securities, including those issued by Dundee Properties LP. See “Information Concerning the Operating Trusts”.

Dundee Properties LP

Dundee Properties LP is a limited partnership which, in connection with the Acquisition, will acquire all of the Corporation’s direct and indirect interests in the RP Properties. Upon completion of the Acquisition, DBI and certain of its affiliates will, through subsidiaries, hold LP Class B Units, Series 1 of Dundee Properties LP. These limited partnership units, together with the accompanying Special REIT Units, will be the economic and voting equivalent of the REIT Units, Series A and REIT Units, Series B.

Dundee REIT will, through OTA and OTB, hold LP Class A Units and LP Class B Units, Series 2 of Dundee Properties LP. See “Information Concerning Dundee Properties LP”.

Dundee Management LP

Dundee Management LP is a limited partnership which, following the Acquisition, will carry on the property management business previously carried on by subsidiaries of the Corporation. Dundee Management LP will manage the RP Properties pursuant to the Master Property Management Agreement. See “Information Concerning Dundee Properties LP — Master Property Management Agreement”. Dundee Management LP will also provide general administrative services to Dundee REIT, the Operating Trusts and Dundee Properties LP pursuant to the Dundee REIT Administrative Services Agreement and to the Corporation and its affiliates pursuant to the DRC Administrative Services Agreement. Dundee Management LP will be jointly owned by Dundee Properties LP and the Corporation.

The Corporation Following the Acquisition

Following completion of the Acquisition, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders. The Corporation will, directly or indirectly, continue to own and operate its land and housing business. It will also own certain commercial revenue producing properties that it intends to dispose of prior to the end of 2003. The Corporation will hold 6,909,245 LP Class B Units, Series 1 representing an approximate 42.7% interest in Dundee Properties LP, exchangeable for an equivalent interest in Dundee REIT. This interest represents the *pro rata* interest of DBI and its affiliates in the RP Properties and in Dundee REIT’s interest in the property management business of Dundee Properties LP. The Corporation will also have a direct 50% interest in the property management business of Dundee Management LP. See “Information Concerning the Corporation — Business of the Corporation Following the Acquisition”.

The Acquisition Agreement

The Acquisition Agreement sets out the terms and conditions on which the Acquisition will be carried out, the text of the Plan of Arrangement and the conditions precedent to the completion of the Arrangement. The Acquisition Agreement also contains customary representations and warranties by each of the parties concerning corporate, legal and other matters relating to their respective affairs. The Acquisition Agreement also includes covenants by each of the parties to take certain actions in furtherance of the Acquisition, use its reasonable best efforts to satisfy the conditions to the Acquisition and to take, or cause to be taken, all other action and to do, or to cause to be done, all other things necessary, proper or advisable under applicable laws to complete the Acquisition. See Appendix D of this Information Circular for the full text of the Acquisition Agreement.

The transaction costs of the Acquisition will be borne by the Corporation. However, if the Acquisition is completed, the transaction costs of the Acquisition will, in effect, be borne by DBI and the Management Shareholders by virtue of their indirect ownership of the Corporation.

Shareholder Approval

The Interim Order provides that, for the Arrangement forming part of the Acquisition to be implemented, the Acquisition Resolution must be passed, with or without variation, by:

- (a) at least a 66²/₃% majority of all of the votes cast by Shareholders voting together as a single class at the Meeting in person or by proxy; and
- (b) a simple majority of the votes cast by Minority Shareholders voting at the Meeting in person or by proxy.

DBI has agreed with the Corporation in the Acquisition Agreement that it will vote, and will cause each of its affiliates which holds Common Shares to vote, the Common Shares beneficially owned by it or over which it exercises control or direction, in favour of the Acquisition Resolution. In addition, the

directors of the Corporation and the Management Shareholders have indicated to the Corporation that they intend to vote their Common Shares in favour of the Acquisition Resolution.

Court Approval

The Arrangement requires Court approval under the OBCA. Prior to the mailing of this Information Circular, the Corporation obtained the Interim Order providing for the calling and holding of the Meeting and certain other procedural matters. If the Acquisition Resolution is approved by the Shareholders in the manner required by the Interim Order, the hearing in respect of the Final Order will take place on or about June 25, 2003 at 10:00 a.m. (Toronto time) in the Court located at 393 University Avenue, Toronto, Ontario. At the hearing for the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the Shareholders.

Securities Regulatory Approvals

Discretionary exemptions must be obtained from certain Canadian securities regulatory authorities in respect of the issuance of certain securities contemplated by the Acquisition. The Corporation will apply for exemptions from all such authorities. However, there can be no assurance that the necessary exemptions from such authorities will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and DBI.

Notice of the proposed Acquisition will be submitted on behalf of the Corporation to the Commission des valeurs mobilières du Québec. Completion of the Acquisition is subject to the approval of the Commission des valeurs mobilières du Québec.

Competition Act (Canada) Approval

The *Competition Act* (Canada) requires pre-merger notification to the Commissioner of Competition of transactions which exceed certain financial thresholds and, in the case of share acquisitions, which exceed an additional voting interest threshold. The Acquisition meets and exceeds these thresholds. Accordingly, the Corporation will file a request for an advance ruling certificate (the "ARC") with respect to the Acquisition or, in the event that the Commissioner of Competition will not issue an ARC, a no action letter pursuant to which the Commissioner of Competition waives the requirement to make a statutory pre-merger notification filing. However, there can be no assurance that either an ARC or a no action letter will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and DBI.

Stock Exchange Listing

Dundee REIT has applied to list the REIT Units, Series A on the TSX. The TSX has conditionally approved the listing of the REIT Units, Series A, subject to compliance with the customary requirements of the TSX, which are expected to be met on the Effective Date or as soon as reasonably practicable thereafter.

Following the Effective Date, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders and the Common Shares will no longer be listed on the TSX.

Third Party Notices and Approvals

Certain of the transactions contemplated by the Acquisition require the consent of lenders, co-owners and other third parties. In some cases, only notice is required to be sent to these parties. Prior to the Effective Date, the Corporation will send notices to and request the consent of various third parties with respect to the Acquisition. However, there can be no assurance that the necessary consents from these third parties will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and Dundee REIT. Failure to obtain these consents will give DBI or the Corporation the right not to complete the Acquisition.

Other Meeting Business

Appointment of Auditors of Dundee REIT

If the Acquisition Resolution is passed by the requisite majority of Shareholders at the Meeting, Shareholders are also being asked to consider and, if thought fit, pass an ordinary resolution approving the appointment of PricewaterhouseCoopers LLP, chartered accountants, as the auditors of Dundee REIT for the ensuing year and authorizing the Trustees to fix their remuneration. See “Other Meeting Business — Appointment of Auditors of Dundee REIT”.

Approval of Deferred Unit Incentive Plan

The Corporation is seeking approval by Shareholders of a deferred unit incentive plan for trustees, employees and officers of Dundee REIT and its affiliates (the “Deferred Unit Incentive Plan”) to be adopted by Dundee REIT on the Effective Date and the reservation of 500,000 REIT Units, Series A issuable in accordance with the Deferred Unit Incentive Plan. See “Other Meeting Business — Deferred Unit Incentive Plan”.

Certain Canadian Federal Income Tax Considerations

The following is a summary of the detailed description set forth under the heading “Certain Canadian Federal Income Tax Considerations” for a Public Shareholder who deals at arm’s length with and is not affiliated with each of Dundee REIT, the Corporation and DBI, and who holds Common Shares and will hold REIT Units, Series A as capital property.

Shareholders Resident in Canada

A Shareholder will generally realize a capital gain (or sustain a capital loss) on the disposition of the Shareholder’s Common Shares under the Acquisition equal to the amount by which the total of the fair market value of the REIT Units, Series A plus the cash received by the Shareholder exceeds (or is exceeded by) the adjusted cost base of the Shareholder’s Common Shares, net of any reasonable costs of making the disposition. One-half of any such capital gain must be included in income and one-half of any such capital loss may be utilized to offset taxable capital gains in accordance with the provisions of the Tax Act.

Shareholders Not Resident in Canada

The transactions under the Acquisition will generally not give rise to any tax being payable under the Tax Act by Shareholders (other than Dissenting Shareholders) who are Non-Residents.

Unitholders Resident in Canada

Unitholders (who hold their REIT Units, Series A outside of a tax exempt plan such as a registered retirement savings plan) will generally be required to include in computing income for a particular taxation year their proportionate share of the income of Dundee REIT, including net realized taxable capital gains, that is paid or payable to the Unitholder in that year, whether such amount is distributed to the Unitholder in cash, REIT Units or otherwise.

Any amount distributed to Unitholders in excess of their share of income of Dundee REIT (other than certain prescribed amounts) will generally constitute a reduction in the adjusted cost base of their REIT Units, Series A for the purposes of computing any capital gain or capital loss thereon.

Provided that appropriate designations are made by Dundee REIT, taxable capital gains and taxable dividends paid by taxable Canadian corporations, if any, that are or are deemed to be paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Such dividends will be subject, among other things, to the gross-up and dividend tax credit provisions applicable to individuals when received by Unitholders who are individuals, the

refundable tax under Part IV of the Tax Act applicable to private and certain other corporations when received by Unitholders which are such corporations, and the deduction in computing taxable income applicable to dividends received by taxable Canadian corporations when received by such corporations. Such dividends will also be subject to a refundable 6 $\frac{2}{3}$ % tax when received by Unitholders which are Canadian controlled private corporations in certain circumstances. Similarly, any foreign income allocated to Unitholders will retain its character and any foreign tax paid will be treated as having been paid by the Unitholders for foreign tax credit purposes provided that Dundee REIT makes the appropriate designations.

Unitholders Not Resident in Canada

A Unitholder who is a Non-Resident will be subject to Canadian withholding tax on distributions of income (other than taxable capital gains) from Dundee REIT at a rate of 25% unless that rate is reduced under the provisions of a tax treaty between Canada and the Unitholder's jurisdiction of residence. For example, residents of the United States generally will be entitled to have the rate of withholding reduced to 15% of the amount of any income distribution.

Other Tax Considerations

Based on the assumptions set forth under "Certain Canadian Federal Income Tax Considerations", the REIT Units, Series A will be qualified investments on the Effective Date for trusts governed by certain tax exempt plans, such as registered retirement savings plans and registered retirement income funds, and if issued on the Effective Date, the REIT Units, Series A will not constitute foreign property for such plans on that date.

In order for Dundee REIT to maintain its status as a mutual fund trust under the Tax Act, Dundee REIT must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, the Declaration of Trust will provide that at no time may Non-Residents be the beneficial owners of a majority of the REIT Units.

Timing

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions of the Acquisition are satisfied or waived, the Corporation will apply to the Court for the Final Order approving the Arrangement. If the Final Order is obtained on June 25, 2003 in form and substance satisfactory to the Corporation and DBI and all other conditions specified are satisfied or waived, the Corporation expects the Effective Date to be June 30, 2003.

Right of Dissent

Pursuant to the terms of the Interim Order, a registered Shareholder is entitled to dissent from the Acquisition Resolution in the manner provided in Section 185 of the OBCA. A Dissenting Shareholder will be entitled, in the event the Acquisition becomes effective, to be paid by the Corporation the fair value of the Common Shares held by such Dissenting Shareholder determined in accordance with Section 185 of the OBCA as at the close of business on the day before the Acquisition Resolution is adopted.

Beneficial owners of Common Shares which are registered in the name of an intermediary (such as a bank, trust company, or securities dealer) or which are registered in the name of a clearing agency (a "Non-Registered Holder") who wish to dissent from the Acquisition Resolution should be aware that a Non-Registered Holder will not be entitled to exercise the right to dissent under Section 185 of the OBCA directly. A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary with whom the Non-Registered Holder deals in respect of the Common Shares and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder's behalf (which, if the Common Shares are registered in the name of The Canadian Depository for Securities Limited or other clearing agency, would require that the Common Shares first be registered in the name of

the intermediary); or (ii) instruct the intermediary to request that the Common Shares be registered in the name of the Non-Registered Holder, in which case such holder must exercise the right to dissent directly (that is, the intermediary would not exercise the right of dissent on such holder's behalf). See "Rights of Dissent".

If holders of more than 1% of the Common Shares exercise their right to dissent in respect of the Acquisition, DBI will have the right not to complete the Acquisition.

Risk Factors

In deciding whether to approve the Acquisition Resolution, Shareholders should consider the risk factors relating to the Acquisition and an investment in REIT Units. See "Risk Factors".

Key Dates and Information

Please note the following key dates and information:

Meeting date:	Monday, June 23, 2003 at 4:00 p.m. (Toronto time).
Meeting location:	Design Exchange Toronto-Dominion Centre 234 Bay Street Toronto, Ontario
Record date:	May 9, 2003.
Voting procedure:	If you are a registered Shareholder, proxies may be voted by mail or by fax. If you are not a registered Shareholder, you should contact your broker or dealer for instructions or follow the instructions on your voting instruction form.
Deadline for return of proxies:	Not later than 4:00 p.m. (Toronto time) on Thursday, June 19, 2003 or such earlier date as is specified in your voting instruction form.
Deadline for exercise of right to dissent:	A Shareholder who wishes to dissent must provide to the Corporation at or before the Meeting a written objection to the Acquisition Resolution.
Hearing date in respect of the Final Order:	June 25, 2003.
Anticipated Effective Date of the Arrangement:	If all conditions to the Arrangement are satisfied or waived, the Corporation expects the Effective Date to be June 30, 2003.

GLOSSARY OF TERMS AND EXPRESSIONS

The following terms shall have the meanings set forth below when used in this Information Circular. These defined terms are not always used in the financial statements included in this Information Circular or in the documents incorporated by reference herein and may not conform exactly to the defined terms used in the appendices to this Information Circular or any agreements referred to herein.

“Acquisition” means the acquisition of the Corporation involving (a) the Amalgamation, (b) the sale to Dundee Properties LP of the RP Properties and the transfer of the property management business of the Corporation to Dundee Management LP, and (c) the Arrangement;

“Acquisition Agreement” means the acquisition agreement dated as of May 16, 2003 between the Corporation, DBI, Dundee REIT, OTA, OTB, Dundee Properties LP and Dundee Management LP setting out the terms and conditions upon which the parties will implement the Acquisition;

“Acquisition Resolution” means the special resolution of the Shareholders to approve the sale of the RP Properties pursuant to the Master Asset Transfer Agreements, the transfer of the property management business pursuant to the Property Management Business Transfer Agreement and the Arrangement in substantially the form attached as Appendix B to this Information Circular to be considered and voted upon by the Shareholders at the Meeting;

“Adjusted Unitholders’ Equity” means, at any time, the aggregate of: (i) the amount of Unitholders’ equity; and (ii) the amount of accumulated depreciation and amortization recorded on the books and records of Dundee REIT and its subsidiaries in respect of their properties, in each case calculated in accordance with Canadian generally accepted accounting principles;

“affiliate” means a person or company considered to be an affiliated entity of another person or company within the meaning of Ontario Securities Commission Rule 45-501 — Exempt Distributions;

“Amalgamation” means the short form amalgamation of the Corporation, DDC, Park Home Holdings and DRI in accordance with Section 177 of the OBCA;

“Arrangement” means the arrangement under Section 182 of the OBCA on the terms and conditions set out in the Plan of Arrangement, and any amendments thereto or variations thereof made in accordance with the Acquisition Agreement or Article 5 of the Plan of Arrangement;

“Board of Directors” or **“Board”** means the board of directors of the Corporation;

“Business Day” means any day other than a Saturday or a Sunday on which Schedule I Canadian chartered banks are open for business in Toronto, Ontario;

“Closing” means the completion of the Acquisition;

“Common Shares” means the common shares of the Corporation and, effective upon the Amalgamation, means the common shares of the corporation continuing from such Amalgamation;

“Corporation” means Dundee Realty Corporation and effective upon the Amalgamation means the corporation continuing from such Amalgamation;

“Court” means the Superior Court of Justice of Ontario;

“CVMQ Policy Q-27” means Policy Q-27 of the Commission des valeurs mobilières du Québec;

“DBI” means Dundee Bancorp Inc.;

“DCP” means Dundee Consolidated Properties, a limited partnership formed under the laws of the Province of Ontario of which Dundee Realty Inc., a wholly-owned subsidiary of the Corporation, is a limited partner and DDC is the general partner and a limited partner;

“DCP Master Asset Transfer Agreement” means an agreement to be made between DCP and Dundee Properties LP setting out the terms and conditions upon which DCP will transfer or cause to be transferred to Dundee Properties LP all of the RP Properties held directly or indirectly by DCP;

“DDC” means Dundee Development Corporation, a wholly-owned subsidiary of the Corporation;

“Declaration of Trust” means the declaration of trust establishing Dundee REIT, as it may be amended or restated prior to the Effective Date;

“Depositary” means Computershare Trust Company of Canada;

“Director” means the Director appointed under Section 278 of the OBCA;

“Dissenting Shareholder” means a registered Shareholder who validly exercises the right of dissent described under the heading “Rights of Dissent”;

“Distributable Series A Income” means, for any period, the net income of Dundee REIT and its applicable consolidated subsidiaries for such period set out in its consolidated financial statements prepared as if Dundee REIT’s only assets are OTA Units, OTA Notes and all amounts on deposit in the bank account maintained for the REIT Units, Series A, as determined in accordance with GAAP, adjusted (i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance, all as incurred after the Effective Date), amortization of fair value debt adjustments, future income tax expenses and costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan (ii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income, and (iii) to reflect any other adjustments determined by a majority of the Trustees in their discretion;

“Distributable Series B Income” means, for any period, the net income of Dundee REIT and its applicable consolidated subsidiaries for such period set out in its consolidated financial statements prepared as if Dundee REIT’s only assets are OTB Units, OTB Notes and all amounts on deposit in the bank account maintained for the REIT Units, Series B, as determined in accordance with GAAP, adjusted (i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance, all as incurred after the Effective Date), amortization of fair value debt adjustments, future income tax expenses and costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan (ii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income, and (iii) to reflect any other adjustments determined by a majority of the Trustees in their discretion;

“Distribution Date” means with respect to a distribution of Distributable Series A Income or Distributable Series B Income by Dundee REIT, a Business Day determined by the Trustees for any calendar month to be on or about the 15th day of the following month or such other date as may be determined from time to time by the Trustees or otherwise in accordance with the Declaration of Trust with respect to all distributions;

“Distribution Record Date” means, until otherwise determined by the Trustees, the last Business Day of each month of each year, except for the month of December where the Distribution Record Date shall be December 31;

“Distribution Reinvestment Plan” means the distribution reinvestment plan that Dundee REIT intends to adopt, subject to regulatory approval, pursuant to which holders of REIT Units, Series A will be entitled to elect to have cash distributions in respect of such units automatically reinvested in additional REIT Units, Series A;

“DRC Administrative Services Agreement” means the administrative services agreement to be dated the Effective Date between the Corporation and Dundee Management LP;

“DRC Master Asset Transfer Agreement” means an agreement to be made between the Corporation and Dundee Properties LP setting out the terms and conditions upon which the Corporation will transfer or cause to be transferred to Dundee Properties LP all of the RP Properties held directly or indirectly by the Corporation;

“**DRI**” means Dundee Realty Inc., a wholly-owned subsidiary of the Corporation;

“**DRMC**” means Dundee Realty Management Corp., a wholly-owned subsidiary of the Corporation;

“**Dundee Management LP**” means Dundee Management Limited Partnership, a limited partnership formed under the laws of the Province of Ontario of which Dundee Management (GP) Inc. is the sole general partner and Dundee Properties LP is the initial limited partner;

“**Dundee Properties LP**” means Dundee Properties Limited Partnership, a limited partnership formed under the laws of the Province of Ontario of which Properties General Partner is the sole general partner and the Corporation and DCP are the initial limited partners;

“**Dundee Realty Non-Competition Agreement**” means an agreement to be made between the Corporation, Dundee Properties LP and Dundee REIT pursuant to which the Corporation will agree to certain non-competition arrangements with Dundee REIT and Dundee Properties LP;

“**Dundee Realty Valuation**” means the valuation of the Common Shares prepared by RBC and forming part of the RBC Valuations and Fairness Opinion;

“**Dundee REIT**” means Dundee Real Estate Investment Trust, an open-ended real estate investment trust formed under the laws of the Province of Ontario of which the Corporation is the initial unitholder;

“**Dundee REIT Administrative Services Agreement**” means the administrative services agreement to be dated the Effective Date between Dundee REIT, Dundee Properties LP, OTA, OTB and Dundee Management LP;

“**Effective Date**” means the date shown on the Certificate of Arrangement to be issued by the Director giving effect to the Arrangement;

“**Effective Time of the Arrangement**” means 12:03 a.m. on the Effective Date;

“**Exchange and Support Agreement**” means the exchange and support agreement to be dated the Effective Date between Dundee REIT, OTB, Dundee Properties LP and the Corporation;

“**Final Order**” means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal;

“**Gross Book Value**” means, at any time, the book value of the assets of Dundee REIT and its subsidiaries, as reflected on its then most recent publicly-issued consolidated balance sheet, plus the amount of accumulated depreciation and amortization reflected thereon;

“**Holding**” means DRC Holding Corp., a corporation to be incorporated immediately prior to the Effective Date under the laws of the Province of Ontario as a wholly-owned subsidiary of DBI;

“**Holding Special Warrant**” means a special warrant of Holding entitling the holder, upon the automatic exercise of the special warrant pursuant to the Plan of Arrangement, to receive one REIT Unit, Series A;

“**Independent Trustee**” means any Trustee who is not or has not been an employee of DBI or any affiliate of DBI at any time or who is not directly employed by Dundee REIT or any of its affiliates;

“**Individual Non-Competition Agreements**” means the agreements to be made between Dundee REIT, Dundee Properties LP and each of the Trustees and officers of Dundee REIT pursuant to which the Trustees and officers of Dundee REIT will agree to certain non-competition arrangements with Dundee REIT and Dundee Properties LP;

“**Information Circular**” means this management information circular and all appendices hereto;

“**Interim Order**” means the order of the Court dated May 22, 2003 under Section 182 of the OBCA, as it may be amended, with respect to the Arrangement, a copy of which is attached as Appendix E to this Information Circular;

“LP Class A Units” means the class A limited partnership units of Dundee Properties LP;

“LP Class B Units, Series 1” means the class B, series 1 limited partnership units of Dundee Properties LP;

“LP Class B Units, Series 2” means the class B, series 2 limited partnership units of Dundee Properties LP;

“Management Shareholders” means Michael J. Cooper, the President and Chief Executive Officer of the Corporation, Jeff B. Barnes, the Executive Vice President and Chief Financial Officer of the Corporation, J. Michael Knowlton, the Executive Vice-President and Chief Operating Officer of the Corporation and P. Jane Gavan, the Executive Vice-President, General Counsel and Secretary of the Corporation;

“Master Asset Transfer Agreements” means the DCP Master Asset Transfer Agreement and the DRC Master Transfer Agreement and any other agreement which may be entered into between affiliates of the Corporation and Dundee Properties LP for the purposes of transferring the RP Properties in connection with the Acquisition;

“Master Property Management Agreement” means the property management agreement to be dated the Effective Date between Dundee Management LP, Dundee Properties LP, Dundee REIT and the Corporation;

“Meeting” means the annual and special meeting of Shareholders to be held on June 23, 2003, and any adjournments or postponements thereof;

“Minority Shareholders” means all registered Shareholders other than DBI and its affiliates, the Management Shareholders and other persons not eligible to vote in connection with the minority approval of the Acquisition Resolution by Shareholders as provided in OSC Rule 61-501 and CVMQ Policy Q-27;

“Non-Resident” means a non-resident of Canada within the meaning of the Tax Act;

“Notice of Application” means the notice of application by the Corporation to the Court for the Final Order, a copy of which is attached as Appendix F to this Information Circular;

“Notice of Meeting” means the notice to the Shareholders of the Meeting which accompanies this Information Circular;

“OBCA” means the *Business Corporations Act* (Ontario), as amended;

“Operating Trust Notes” means, collectively, the OTA Notes and the OTB Notes;

“Operating Trust Units” means, collectively, the OTA Units and the OTB Units;

“Operating Trusts” means, collectively, OTA and OTB;

“Operating Trust Declarations” means, collectively, the OTA Declaration of Trust and the OTB Declaration of Trust;

“Options” means the outstanding unexercised options to purchase Common Shares under the Corporation’s Share Incentive Plan;

“OSC Rule 61-501” means Ontario Securities Commission Rule 61-501 — Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, as such rule may be amended from time to time (and including any successor rule or policy thereto);

“OTA” means Dundee Properties Operating Trust A, an open-ended unit trust formed under the laws of the Province of Ontario, all of the units of which are owned by Dundee REIT;

“OTA Declaration of Trust” means the declaration of trust establishing OTA, as it may be amended or restated prior to the Effective Date;

“OTA Note Indenture” means the trust indenture to be dated the Effective Date providing for the issuance of the OTA Notes and made between OTA and the OTA Note Trustee;

“OTA Note Trustee” means the trustee under the OTA Note Indenture;

“OTA Notes” means interest bearing promissory notes of OTA;

“OTA Unit” means a trust unit of OTA, representing an equal undivided beneficial interest in any distributions from OTA;

“OTB” means Dundee Properties Operating Trust B, an open-ended unit trust formed under the laws of the Province of Ontario, all of the units of which are owned by Dundee REIT;

“OTB Declaration of Trust” means the declaration of trust establishing OTB, as it may be amended or restated prior to the Effective Date;

“OTB Notes” means interest bearing promissory notes of OTB;

“OTB Subscription Agreement” means an agreement to be made between OTB and Dundee Properties LP following the Amalgamation pursuant to which OTB will subscribe for one LP Class B Unit, Series 2;

“OTB Unit” means a trust unit of OTB, representing an equal undivided beneficial interest in any distributions from OTB;

“Park Home Holdings” means Dundee Realty Park Home Holdings Ltd., a wholly-owned subsidiary of the Corporation;

“Plan of Arrangement” means the plan of arrangement attached as Appendix I to the Acquisition Agreement, which is attached as Appendix D to this Information Circular, and any amendment or variation thereto;

“Policies” means, collectively, OSC Rule 61-501 and CVMQ Policy Q-27;

“Properties General Partner” means the general partner of Dundee Properties LP, Dundee Properties (GP) Inc., a corporation incorporated under the laws of the Province of Ontario;

“Properties Limited Partnership Agreement” means the limited partnership agreement creating Dundee Properties LP, as it may be amended or restated prior to the Effective Date;

“Property Management Business Transfer Agreement” means an agreement to be dated the Effective Date between the Corporation, DRMC and Dundee Management LP setting out the terms and conditions upon which DRMC will acquire certain assets from the Corporation and the Corporation will transfer to Dundee Management LP all of the securities of the corporations and limited partnerships that currently conduct the property management business of the Corporation;

“Public Shareholders” means the holders of Common Shares, other than DBI, its affiliates and the Management Shareholders and their associates;

“RBC” means RBC Dominion Securities Inc., a member company of RBC Capital Markets;

“RBC Valuations and Fairness Opinion” means the written report of RBC dated May 2, 2003 containing the Dundee Realty Valuation, the REIT Valuation, the Retained Net Assets Valuation and RBC’s opinion as to the fairness of the consideration under the Acquisition from a financial point of view to the Public Shareholders, a copy of which is attached as Appendix H to this Information Circular;

“REIT Units” means, collectively, the REIT Units, Series A, the REIT Units, Series B and the Special REIT Units;

“REIT Units, Series A” means the units of Dundee REIT, Series A, each representing an undivided beneficial interest in any distributions from Dundee REIT derived from Dundee REIT’s investment in OTA Units and OTA Notes;

“REIT Units, Series B” means the units of Dundee REIT, Series B, each representing an undivided beneficial interest in any distributions from Dundee REIT derived from Dundee REIT’s investment in OTB Units and OTB Notes;

“REIT Valuation” means the valuation of the REIT Units, Series A prepared by RBC and forming part of the RBC Valuations and Fairness Opinion;

“Related Party” means, with respect to any person, a person who is a “related party”, as that term is defined in OSC Rule 61-501;

“Retained Assets” means the land and housing development business, a 50% interest in Dundee Management LP and certain other assets of the Corporation that will remain with the Corporation following the completion of the Acquisition;

“Retained Liabilities” means certain liabilities, including the costs of implementing the Acquisition, that will be retained, assumed or paid by the Corporation;

“Retained Net Assets” means the Retained Assets net of the Retained Liabilities;

“Retained Net Assets Valuation” means the valuation of the Retained Net Assets prepared by RBC and forming part of the RBC Valuations and Fairness Opinion;

“RP Properties” means the commercial revenue producing properties of the Corporation (including those held by its affiliates) listed under “Information Concerning Dundee REIT”, including the shares of the nominee corporations, the limited partnerships interests, the shares of the general partners of the limited partnerships and the shares or notes of affiliates of the Corporation which hold the commercial revenue producing properties to be transferred to Dundee Properties LP pursuant to the Master Asset Transfer Agreements and all related assets and liabilities;

“Series 1 Subscription Agreement” means an agreement to be made between the Corporation, DCP and Dundee Properties LP following the Amalgamation pursuant to which the Corporation and DCP will subscribe for an aggregate of 6,909,245 LP Class B Units, Series 1;

“Shareholders” means the holders of Common Shares;

“Special Committee” means the special committee of the Board of Directors formed on January 27, 2003 to consider the Acquisition;

“Special REIT Units” means the units of Dundee REIT to be issued to the holders of LP Class B Units, Series 1 providing rights to vote as a unitholder of Dundee REIT;

“subsidiary” means, with respect to any person (other than an individual), any other person that is controlled, directly or indirectly, by the person and, in addition to the foregoing, with respect to Dundee REIT shall, for the purposes of this Information Circular only, include OTA, OTB, Properties General Partner and Dundee Properties LP;

“Tax Act” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“Trustees” means the trustees of Dundee REIT and **“Trustee”** means any one of them;

“TSX” means The Toronto Stock Exchange;

“Unitholder” means a holder of REIT Units;

“1933 Act” means the United States *Securities Act of 1933*, as amended; and

“1934 Act” means the United States *Securities Exchange Act of 1934*, as amended.

DUNDEE REALTY CORPORATION

30 Adelaide Street East, Suite 1600

Toronto, Ontario

M5C 3H1

Management Information Circular for the Annual and Special Meeting of Shareholders to be held on June 23, 2003

THE MEETING

Date, Time and Place of the Meeting

The Meeting will be held on June 23, 2003 at 4:00 p.m. (Toronto time) at the Design Exchange, Toronto-Dominion Centre, 234 Bay Street, Toronto, Ontario.

Record Date

The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is May 9, 2003. Shareholders of record at the close of business on May 9, 2003 will be entitled to vote at the Meeting except to the extent that a holder has transferred any Common Shares after such record date and the transferee of such Common Shares produces properly endorsed share certificates or otherwise establishes that the transferee owns the Common Shares and requests, not later than ten days before the Meeting, that his or her name be included in the list of the Shareholders entitled to receive notice of the Meeting, in which case the transferee is entitled to vote such Common Shares at the Meeting.

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation for use at the Meeting. The solicitation of proxies for the Meeting will be made primarily by mail and supplemented by telephone or other personal contact by the directors, officers and employees of the Corporation or agents of the Corporation retained to assist in the solicitation of proxies. The directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may pay investment dealers or other persons holding Common Shares of the Corporation in their own names, or in the names of nominees, for their reasonable expenses for sending the form of proxy and this Information Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of the solicitation will be borne by the Corporation.

Voting Procedures

The procedures by which Shareholders may exercise their right to vote with respect to matters at the Meeting will vary depending on whether Shareholders are registered Shareholders, being those who hold Common Shares in their own names and are entered in the register of Shareholders of the Corporation, or non-registered Shareholders, being those who hold Common Shares beneficially through an intermediary such as a bank, trust company or investment dealer. You should carefully read the instructions below that apply to you.

Registered Shareholders

In order to vote with respect to matters at the Meeting, registered Shareholders must either:
(a) attend the Meeting in person; or (b) sign, date and return the enclosed form of proxy, or such other proper form of proxy prepared for use at the Meeting, or otherwise follow the proxy voting procedures required by law. Any proxy to be used at the Meeting must be deposited prior to the deadline on Thursday, June 19, 2003 at 4:00 p.m. (Toronto time), or otherwise at least 48 hours (excluding Saturdays

and holidays) prior to the time set for any adjournment or postponement of the original meeting. Registered Shareholders may vote by proxy by any of the following means:

- **by mail** (a pre-paid, pre-addressed return envelope is enclosed), **by hand or by courier** to the address listed on your form of proxy; or
- **by fax** toll free to 1-866-249-7775 (Canada and U.S.), or direct dial to 001-416-263-9524 (international).

Non-Registered Shareholders

A substantial number of Shareholders do not hold Common Shares in their own names. Common Shares may be beneficially owned by a person but registered either (a) in the name of an intermediary (an “Intermediary”) such as, among others, banks, trust companies, investment dealers, brokers or trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or (b) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. If Common Shares are shown in an account statement provided to the Shareholder by the Intermediary, in almost all cases those shares will not be registered under the name of the Shareholder in the records of the Corporation. **Please note that only proxies deposited by registered Shareholders can be recognized and acted upon at the Meeting. As a consequence, you should read your Intermediary’s instructions to you regarding how to provide voting instructions with respect to your shares. You may also wish to contact your Intermediary in order to obtain instructions regarding how to exercise your right to vote Common Shares that you beneficially own.**

The Corporation has distributed copies of this Information Circular and related meeting materials to Intermediaries for distribution to non-registered Shareholders. Applicable securities laws require your Intermediary to seek voting instructions from you in advance of the Meeting. Common Shares held through your Intermediary can only be voted upon your instructions. Without specific voting instructions, your Intermediary is prohibited from voting your Common Shares.

Every Intermediary has its own procedures for obtaining voting instructions from clients which you should carefully follow in order to ensure that your Common Shares are voted at the Meeting. Your Intermediary will likely send or arrange to have sent to you a voting instruction form with this Information Circular, instead of a form of proxy. The voting instruction form that you will receive is similar to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on your behalf. You will be asked to complete and return the voting instruction form by mail or facsimile. Alternatively, you can call a toll-free telephone number (1-800-474-7493) in order to provide voting instructions over the telephone or vote via the internet at www.proxyvotecanada.com. In general, non-registered Shareholders receiving a voting instruction form or form of proxy from an Intermediary cannot use that document to vote Common Shares directly at the Meeting. Rather, the completed voting instruction form or form of proxy must be returned or voting instructions must otherwise be provided pursuant to the instructions accompanying the document well in advance of the deadline for the receipt of proxies set out in this Information Circular.

Please note that non-registered Shareholders seeking to attend the Meeting will not be recognized at the Meeting for the purpose of voting Common Shares registered in the name of an Intermediary or a clearing agency, unless the non-registered Shareholder appoints himself or herself as a proxyholder. In order to do this, the individual should follow the instructions on the voting instruction form regarding the manner in which voting instructions are to be provided and, in doing so, specify that individual’s own name as the person whom he or she is appointing as proxy for the purposes of voting his or her Common Shares. For instance, if “John Smith” is a non-registered Shareholder, in the voting instruction form he receives, he should insert the name “John Smith” in the space provided and follow the other procedures specified on such form.

Non-registered Shareholders are reminded that any voting instructions should be communicated in accordance with the procedures set out on the voting instruction form well in advance of the deadline for the receipt of proxies of 4:00 p.m. (Toronto time) on Thursday, June 19, 2003.

Appointment and Revocation of Proxies (For Registered Shareholders Only)

The persons named in the form of proxy that accompanies this Information Circular are directors and/or officers of the Corporation. A Shareholder has the right to appoint a person or company (who need not be a Shareholder), other than the persons whose names appear in the accompanying form of proxy, to attend and act for and on behalf of such Shareholder at the Meeting. A registered Shareholder may exercise this right by either striking out the names of the persons specified in the form of proxy and inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed form of proxy in the manner specified in the Notice of Meeting. Similar procedures should be followed by a non-registered Shareholder with respect to the completion of voting instruction forms provided by your Intermediary, although you should read the instructions on your voting instruction form and, if necessary, confirm this with your Intermediary.

A registered Shareholder who has given a proxy may revoke the proxy at any time prior to its use by any manner permitted by law, including by depositing an instrument in writing, including another completed form of proxy, executed by the Shareholder or by his or her attorney who is authorized by a document that is signed in writing or by electronic signature or, if the Shareholder is a corporation, by an officer or attorney thereof properly authorized. A written instrument or other revocation permitted by law must be deposited either at the registered office of the Corporation, Suite 1600, 30 Adelaide Street East, Toronto, Ontario M5C 3H1, or with Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department) by personal delivery, courier or mail, or by fax to (416) 263-9524 (toll free 1-866-249-7775), at any time prior to 4:00 p.m. (Toronto time) on the second last Business Day preceding the day of the Meeting. The execution by a registered Shareholder of a proxy will not affect a Shareholder's right to attend the Meeting and vote in person provided that such proxy is revoked prior to the commencement of the Meeting in the manner described above.

Non-registered Shareholders should contact the Intermediary through which they hold Common Shares in order to obtain instructions regarding the procedures for the revocation of any voting instructions that they provide to their Intermediary.

Voting of Proxies

The Common Shares represented by a properly executed proxy will be voted or withheld from voting on any ballot that may be conducted at the Meeting in accordance with the instructions of the Shareholder thereon and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares shall be voted accordingly. **In the absence of instructions, such Common Shares will be voted FOR each of the matters referred to therein.**

The form of proxy confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting. At the date hereof, management of the Corporation knows of no such amendments, variations or other matters to be brought before the Meeting. However, if any other matters, which are not now known to management of the Corporation, should properly be brought before the Meeting, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgement of the person named as proxy in such form of proxy.

The Acquisition Resolution must be approved by at least 66²/₃% of the votes cast by Shareholders, present in person or by proxy at the Meeting. In addition, as the Arrangement constitutes a "going private transaction" pursuant to OSC Rule 61-501 and CVMQ Policy Q-27, the Acquisition Resolution must also

be approved by a simple majority of the Minority Shareholders, present in person or by proxy at the Meeting.

DBI has agreed with the Corporation in the Acquisition Agreement that it will vote, and will cause each of its affiliates who holds Common Shares to vote, the Common Shares beneficially owned by it or over which it exercises control or direction, in favour of the Acquisition Resolution. In addition, the directors of the Corporation and the Management Shareholders have indicated to the Corporation that they intend to vote their Common Shares in favour of the Acquisition Resolution.

Voting Securities and Principal Holder Thereof

Description of Share Capital

The Corporation is authorized to issue (i) an unlimited number of preferred shares, issuable in series, of which three series of preferred shares have been designated as special shares, special shares, series 2 and special shares, series 3, and (ii) an unlimited number of Common Shares. As at April 30, 2003, there were no preferred shares and 15,450,839 Common Shares issued and outstanding. Each Common Share entitles the holder thereof to one vote per Common Share on each matter to be acted upon at the Meeting.

Principal Shareholder

As of April 30, 2003, to the knowledge of the directors and officers of the Corporation, the only person, firm or corporation which beneficially owns, directly or indirectly, or exercises control or direction over, securities of the Corporation carrying more than 10 per cent of the voting rights attached to any class of outstanding voting securities of the Corporation is as follows:

<u>Name and Municipality of Residence</u>	<u>Number and Class of Shares</u>	<u>Percentage of Outstanding Class</u>
Dundee Bancorp Inc., Toronto, Ontario	6,909,245 Common Shares	44.7%

DBI is a corporation controlled by Ned Goodman of Innisfil, Ontario. In addition, the directors and officers of the Corporation understand that there are Common Shares registered in the name of CDS & Co. that are beneficially owned by various Intermediaries and other parties on behalf of their clients and others. The names of the beneficial owners of such shares are not known to the Corporation.

Except as set out above, the directors and officers of the Corporation have no knowledge of any person or corporation which owns or exercises control or direction over more than 10% of the outstanding Common Shares.

Quorum

The quorum for the transaction of business at the Meeting will be two persons present at the opening of the Meeting who are entitled to vote at the Meeting as a shareholder or proxyholder. If no quorum is present within a reasonable time after the appointed time for the Meeting, the persons present and entitled to vote thereat may determine that the Meeting will be adjourned to a fixed time and place.

Confidentiality of Voting

Proxies are counted and tabulated by Computershare Trust Company of Canada in such a manner as to preserve the confidentiality of the voting instructions of registered Shareholders. However, you should be aware that such confidentiality may not be maintained in certain circumstances, including the following:

- (a) where the Shareholder makes a written comment on the form of proxy or otherwise clearly indicates that the Shareholder wishes to communicate his, her or its position to management;
- (b) where it is necessary to meet the requirements of applicable law or a regulatory authority; or
- (c) in the event of a proxy contest.

ANNUAL MEETING BUSINESS

Determination of Number of Directors

The articles of the Corporation currently provide that the maximum number of directors that the Corporation is authorized to have is twenty directors. At the Meeting, Shareholders will be asked to consider and, if thought fit, approve a special resolution (the "Board Size Resolution") determining the number of directors of the Corporation and the number of directors to be elected at each annual meeting of the Shareholders to be 10 and empowering the board of directors of the Corporation to thereafter determine, by board resolution, the number of directors and the number of directors to be elected at annual meetings of the Shareholders. The Board Size Resolution sets the number of directors of the Corporation at 10 in light of the resignation of one of the former directors of the Corporation in January 2003. Until the resignation of that director, the Board of Directors consisted of 11 members. If the Acquisition is completed, the Board of Directors of the Corporation will be reconstituted and, accordingly, the Board did not believe that it would be appropriate or necessary to replace the resigning director prior to the Meeting. A copy of the Board Size Resolution is attached as Appendix A to this Information Circular.

In order to be effective, the Board Size Resolution must be approved by not less than 66²/₃% of the votes cast at the Meeting by Shareholders. The Board of Directors recommends that Shareholders vote **FOR** the Board Size Resolution. The form of proxy delivered with this circular provides a means for Shareholders to vote for or against the Board Size Resolution. The form of proxy further provides that if a Shareholder using the proxy does not specify whether its Common Shares are to be voted for or against the Board Size Resolution, the persons named in the form of proxy will vote **FOR** the Board Size Resolution.

Election of Directors

The articles of the Corporation currently provide that the maximum number of directors that the Corporation is authorized to have is twenty directors. The Shareholders will be asked to elect 10 directors to serve for a term expiring on the earlier of the Effective Time of the Arrangement and the next annual meeting of Shareholders. The persons named in the form of proxy which accompanies this Information Circular intend to vote for the election of the nominees whose names are set forth below, unless the Shareholder who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the election of directors of the Corporation. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director of the Corporation; however, if that should occur for any reason prior to the Meeting or any adjournment thereof, the persons named in the form of proxy which accompanies this Information Circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee at their discretion. Each director elected will hold office until the earlier of the Effective Date and the close of business of the first annual meeting of the Shareholders following his election unless his office is vacated earlier in accordance with the by-laws of the Corporation.

The following table sets forth the names of the nominees, their position with the Corporation, their principal occupation or employment, the date upon which they became a director of the Corporation and

the approximate number of Common Shares beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them, as of April 30, 2003:

<u>Name and Position</u>	<u>Principal Occupation</u>	<u>Date Became Director</u>	<u>Common Shares Owned or Controlled(6)</u>
Dr. Günther Bautz Director	Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances	June 15, 1998	90,458
Detlef Bierbaum(1)(3) Vice-Chairman and Director	Partner, Bankhaus Sal. Oppenheim jr. & Cie, KGaA, a private investment bank	April 30, 1998	42,202
Donald K. Charter(1)(2)(4)(5) Director	Executive Vice-President, DBI, a financial services company, Chairman, President and Chief Executive Officer, Dundee Securities Corporation, an investment dealer	April 18, 1996	32,701
David J. Contis(2)(3) Director	Executive Vice-President and Chief Operating Officer, The Macerich Company, real estate investment trust	December 4, 1996	10,000
Michael J. Cooper(1) Director	President and Chief Executive Officer of the Corporation	April 18, 1996	322,110
Peter A. Crossgrove(1)(3)(4)(5) Director	Chairman, Masonite International Inc., a door manufacturing company	June 15, 1998	17,160
Robert G. Goodall(2)(3)(4) Director	President, Canadian Mortgage Capital Corporation, a mortgage brokerage company	April 18, 1996	14,976
David J. Goodman(4) Director	President and Chief Executive Officer, Dynamic Mutual Funds Ltd., a mutual fund company	April 18, 1996	7,079
Ned Goodman(1)(3)(5) Chairman and Director	President and Chief Executive Officer, DBI, a financial services company	April 18, 1996	65,201(7)
Gert Silber-Bonz Director	Business Consultant	October 2, 1998	65,669

(1) Member of the Executive Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Corporate Governance Committee.

(5) Member of the Environmental Committee.

(6) The respective nominee has furnished the information as to the number of Common Shares beneficially owned or over which control or direction is exercised.

(7) Does not include the Common Shares beneficially owned or over which control or direction is exercised by DBI, an associate of Ned Goodman. See “The Meeting — Voting Securities and Principal Holder Thereof — Principal Shareholder”.

Each of the foregoing nominees has held his present principal occupation or a similar position with his present employer or its predecessors or affiliates for the past five years except for David J. Goodman who, prior to November 2001, was President, Goodman & Company Investment Counsel, an investment counsel company and Günther Bautz who, prior to January 2003, was Patent Trademark Counsel, Braum GmbH, a manufacturer of small electric appliances.

Appointment of Auditors

The persons named in the form of proxy which accompanies this Information Circular intend to vote for the appointment of PricewaterhouseCoopers LLP, chartered accountants, as the auditors of the Corporation until its successor is appointed and to authorize the directors of the Corporation to fix the remuneration of the auditors, unless the Shareholder has specified in the form of proxy that the Common Shares represented by such form of proxy are to be withheld from voting in respect thereof. PricewaterhouseCoopers LLP was initially appointed as the auditors of the Corporation on June 21, 2002 in order to replace Arthur Andersen LLP as the Corporation's auditors. As required by National Policy Statement 31 — Change of Auditor of a Reporting Issuer, a copy of the "Reporting Package" (as that term is used in the policy statement) with respect to the change in the Corporation's auditors is being included in this Information Circular as Appendix J. The Reporting Package consists of a notice of change of auditor, letters from Arthur Andersen LLP and PricewaterhouseCoopers LLP, respectively, and a confirmation by the Corporation that such notice and letters were reviewed by the Corporation's audit committee.

THE ACQUISITION

Background to and Reasons for the Acquisition

The Corporation became public in 1996 and experienced substantial growth in its assets from approximately \$5 million in 1996 to over \$1 billion in mid-1998. At that time, approximately 85% to 90% of the assets of the Corporation consisted of revenue producing properties and approximately 10% to 15% of its assets were land and housing properties.

From mid-1998 to the spring of 2002, the Corporation continued to develop its portfolio of properties. The Corporation benefited from a strong return on investment on its revenue producing property portfolio and the land and housing business. The Corporation was not paying income tax and was able to use its excess cash flow to acquire Common Shares that were trading on the TSX at prices that were below management's view of their underlying value. This combination produced competitive rates of return for the Corporation.

In the summer of 2002, two principal considerations caused the Corporation with the assistance of its tax advisors to explore potential transactions to enhance Shareholder value: firstly, as presently organized, the Corporation would become taxable prior to the end of 2004 which could result in a reduction in funds from operations which could lead to a decline in the trading price of the Common Shares; secondly, the Common Shares were trading on the TSX at a price which, in the view of management of the Corporation, did not reflect their underlying value. Through the fall of 2002, management of the Corporation with advice from its tax advisors considered a number of alternative transactions.

At a meeting of the Board of Directors held on November 7, 2002, management of the Corporation advised the Board that the recently completed substantial issuer bid had been under-subscribed and, combined with the low trading volume in the Common Shares on the TSX, indicated that it would be difficult in the future to supplement the Corporation's rate of return with the repurchase of Common Shares. Management also advised the Board that a number of alternatives for deferring the date upon which the Corporation would become taxable were being considered and that in order to determine the best alternative, significant professional fees would need to be incurred. Management requested that the Board of Directors approve incurring the costs of further review and analysis.

Subsequent to the November 7th meeting of the Board of Directors, management with the assistance of its advisors commenced work on variations of a proposed transaction that would result in a real estate investment trust being created. One variation, which could be described as a taxable “de-merger” of the Corporation, involved each Shareholder receiving one unit of a real estate investment trust and a new share of the Corporation that represented an interest in the other businesses of the Corporation. This variation was dismissed as it would have resulted in the payment by the Corporation of tax in an amount of approximately \$40 million or \$2.50 per share in order to transfer the revenue producing properties of the Corporation to the real estate investment trust. Another variation of this proposal that was considered, but rejected, was the distribution of three securities to each Shareholder: a unit of a real estate investment trust with a full tax basis, a security that was convertible into a unit of the real estate investment trust that had no tax basis and a share of the residual Corporation. This variation was dismissed as the conversion of the convertible security into a unit of the real estate investment trust would not only be potentially taxable to the unitholder, but would also be a taxable transaction for the Corporation. Effectively, the Corporation would initially be deferring approximately \$40 million in tax, but would have no control over when the tax would have to be paid as there would be no control over the unitholders’ decision to convert the convertible security. In addition, there was a concern that the residual assets of the Corporation would not be an attractive investment because of the capital markets’ indifference to small land and housing businesses.

After considering several alternative transactions, management of the Corporation concluded that the most attractive transaction would be to provide each of the Public Shareholders with a unit of a real estate investment trust and an amount of cash for each Common Share held by them. Although such a transaction would be a taxable transaction for the Public Shareholders, non-resident Public Shareholders, pension funds, individuals who held their Common Shares in a registered retirement savings plan and other tax exempt Shareholders should not generally be liable to pay Canadian income tax on a disposition of their Common Shares.

Commencing in late November 2002 through January 2003, management of the Corporation held a series of meetings with management of DBI to discuss the acquisition of the Corporation and the reorganization of the Corporation’s commercial revenue producing properties into a real estate investment trust. After consideration by DBI of the proposed restructuring alternatives submitted by management of the Corporation, DBI proposed a reorganization whereby DBI would receive, as part of the reorganization, non-listed limited partnership units which would initially have a nominal tax basis and the Public Shareholders would receive cash and publicly-traded units of the real estate investment trust. This reorganization would avoid triggering any immediate tax liability for the Corporation, while any tax liability resulting from a taxable disposition of the limited partnership units would ultimately be borne by DBI. This proposal would result in DBI privatizing the land and housing assets of the Corporation. DBI invited some of the senior management of the Corporation to join in the ownership of the land and housing assets by way of reorganization.

At a meeting of the Board of Directors held on January 27, 2003, the Board of Directors considered the proposal from DBI to offer the Public Shareholders one unit in Dundee REIT and \$3.00 for each Common Share. The Board of Directors discussed the proposed structure and procedure for undertaking such a transaction, the strategic implications for reorganizing the Corporation’s businesses in such a manner and the potential value enhancement for Shareholders. The Board of Directors considered the following factors in its review and discussion of the proposal:

- (a) the Corporation has characteristics that are suited to a real estate investment trust structure, including:
 - (i) historically the Corporation has had consistently profitable operations characterized by substantial EBITDA margins; and
 - (ii) the Corporation has the geographic, business and tenant diversification necessary to provide a consistent free cash flow;

- (b) a real estate investment trust structure would provide an effective model for a higher level of cash distributions than would be available under the existing corporate structure of the Corporation;
- (c) based on the valuation methodology that has been generally applied to real estate investment trusts, a real estate investment trust structure should result in more favourable market valuations for the units of the real estate investment trust as compared to the Common Shares;
- (d) it was anticipated that Dundee REIT would have greater access to the public capital markets to fund growth initiatives than is or would be available to the Corporation under current market conditions; and
- (e) it was anticipated that the units of the real estate investment trust would be a more attractive form of non-cash consideration for use in connection with future acquisitions than the Common Shares

Formation and Organization of Special Committee

Following their review and discussion of the proposal, with Messrs. Ned Goodman, David Goodman, Donald Charter and Michael Cooper having declared their interest in the proposed transaction and abstaining from voting, the Board of Directors resolved to appoint a special committee of directors independent of DBI and management of the Corporation to consider the proposed Acquisition.

The original members of the Special Committee were Detlef Bierbaum, Peter Crossgrove (Chair) and Robert Goodall. After its formation, the Special Committee determined that, in order to avoid any appearance of lack of independence of its members as a result of certain business dealings between Mr. Goodall and DBI, and taking into account the requirements of the OBCA with respect to the Canadian residency requirements applicable to committees of the Board of Directors, the Special Committee should be reconstituted with Mr. Peter Crossgrove as its sole member and with Dr. Günther Bautz and Mr. Detlef Bierbaum acting as consultants to the Special Committee. At a meeting of the Board of Directors held on February 26, 2003, the reconstitution of the Special Committee was ratified and confirmed by the Board of Directors.

The Special Committee was authorized to review, consider and discuss the details of the Acquisition, to consider and advise the Board of Directors as to whether the Acquisition is in the best interests of the Corporation and fair to the Public Shareholders, to consider any revisions to the structure of the Acquisition that the Special Committee considered to be necessary or advisable, to respond to matters of concern to the Special Committee, to conduct or supervise the conduct of any negotiations or discussions concerning the Acquisition or any such revisions and to review the application of OSC Rule 61-501 and CVMQ Policy Q-27 to the Acquisition and ensure the compliance by the Corporation with such rule and policy.

Proceedings and Deliberations of the Special Committee

Introduction

On January 29, 2003, the Special Committee retained McMillan Binch LLP as its legal counsel.

On February 10, 2003, the Special Committee retained RBC as its financial advisor. RBC was retained to prepare the Dundee Realty Valuation, the REIT Valuation and the Retained Net Assets Valuation and to provide its opinion as to the fairness from a financial point of view of the consideration to be received by the Public Shareholders in connection with the Acquisition. In retaining RBC, the Special Committee, based in part on representations made to it by RBC, concluded that RBC was independent of DBI and the Management Shareholders and qualified to prepare a formal valuation as contemplated by OSC Rule 61-501 and CVMQ Policy Q-27 and to provide a fairness opinion in connection with the Acquisition.

Between January 27, 2003 and May 16, 2003, the Special Committee met 28 times. During this period, the Special Committee and its advisors engaged in an active dialogue with the Corporation and DBI and the Management Shareholders and their respective advisors in respect of the Acquisition. The dialogue resulted in a thorough exchange of information and views between the Special Committee, the Corporation, DBI and the Management Shareholders.

Valuations and Fairness Considerations

The Special Committee considered the following matters:

- (a) the value of the Common Shares, including the net asset value of the Corporation and the trading history of the Common Shares in the year before the January 27, 2003 announcement by the Corporation in respect of the Acquisition;
- (b) the projected trading value of the REIT Units;
- (c) the market perception of real estate investment trusts generally; and
- (d) the net asset value of the Retained Net Assets.

Governance and Management Arrangements

The Special Committee considered the following matters:

- (a) the proposed governance structure of Dundee REIT, including:
 - (1) the procedures for appointing and electing Trustees;
 - (2) the composition of the proposed committees of Trustees;
 - (3) the duties and accountability of the Trustees;
 - (4) the procedures relative to dealing with conflicts of interest;
 - (5) the procedures relative to meetings of Trustees or Trustee committees; and
 - (6) the procedures for appointing auditors of Dundee REIT; and
- (b) the proposed management structure of Dundee REIT, including:
 - (1) the accountability of senior management of Dundee REIT to the Trustees and to the Unitholders;
 - (2) the appropriateness of proposed contractual arrangements with the related parties providing services to Dundee REIT, including the pricing of such services;
 - (3) the procedures relative to dealing with conflicts of interest; and
 - (4) the compensation arrangements for senior management of Dundee REIT.

Alternatives to the Acquisition

The Special Committee noted that DBI holds approximately 44.7% of the outstanding Common Shares and does not wish to sell its position. Accordingly, it is unlikely that an alternative transaction could emerge that would provide greater value to the Public Shareholders than the Acquisition.

Acquisition Agreements

The Special Committee and its advisors had extensive discussions with the Corporation, DBI and the Management Shareholders and their respective advisors with respect to the terms of the agreements implementing the Acquisition.

RBC Valuations and Fairness Opinion

At a meeting of the Special Committee held on April 4, 2003, RBC delivered its preliminary views on the Dundee Realty Valuation, the REIT Valuation and the Retained Net Assets Valuation and on the fairness from a financial point of view of the consideration to be received by the Public Shareholders in connection with the Acquisition. At the meeting, RBC described the material factors upon which the valuations and its assessment of fairness are based and the methodologies and procedures followed by it in carrying out its work.

Between April 4, 2003 and May 2, 2003, RBC met with management of the Corporation on several occasions to discuss the methodologies and procedures followed by RBC in carrying out its work. RBC also received additional information from the Corporation.

At a meeting of the Special Committee held on May 12, 2003, RBC delivered the RBC Valuations and Fairness Opinion to the Special Committee.

In the opinion of RBC, as at May 2, 2003:

- (a) *Dundee Realty Valuation:* the fair market value of the Common Shares is in the range of \$24.75 to \$28.25 per Common Share;
- (b) *REIT Valuation:* the fair market value of the REIT Units, Series is in the range of \$20.50 to \$22.00 per REIT Unit, Series A; and
- (c) *Retained Net Assets Valuation:* the fair market value of the Retained Net Assets is in the range of \$6.50 to \$8.50 per Common Share.

In considering the fairness from a financial point of view of the consideration to be received by the Public Shareholders in connection with the Acquisition, RBC viewed the Acquisition as a distribution of the RP Properties to DBI, the Management Shareholders and the Public Shareholders *pro rata* to their respective holdings of Common Shares by means of a distribution of the REIT Units (or LP Class B Units, Series 1 that are exchangeable for REIT Units) and an acquisition of the interest of the Public Shareholders in the Retained Net Assets by DBI and the Management Shareholders.

As a result, RBC considered and relied principally upon the following tests:

- (a) a comparison of the fair market value of the REIT Units, Series A under the REIT Valuation to the implied trading value of the RP Properties as part of the Corporation before the January 27, 2003 announcement by the Corporation in respect of the Acquisition; and
- (b) a comparison of the \$3.00 per Common Share to be paid to the Public Shareholders to the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation per Common Share.

In the opinion of RBC, both of these tests must be met in order for the consideration to be received by the Public Shareholders in connection with the Acquisition to be fair from a financial point of view to the Public Shareholders.

The fair market value range of the REIT Units, Series A under the REIT Valuation (\$20.50 to \$22.00 per REIT Unit, Series A) exceeds the \$16.10 closing price of the Common Shares (including the Retained Net Assets) on the TSX immediately before the January 27, 2003 announcement by the Corporation in respect of the Acquisition. The \$3.00 per Common Share to be paid to the Public Shareholders is below the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share.

RBC is of the opinion that, as at the date of the RBC Valuations and Fairness Opinion, the consideration to be received by the Public Shareholders in connection with the Acquisition is inadequate from a financial point of view.

Changes Requested by the Special Committee

During the course of their discussions with the Corporation, DBI and the Management Shareholders and their respective advisors, the Special Committee and its advisors requested a number of changes to the Acquisition and the terms of the agreements implementing the Acquisition.

The material changes requested and the responses of DBI and the Management Shareholders are summarized below.

Cash Payment

The Special Committee requested that DBI and the Management Shareholders increase the \$3.00 per Common Share to be paid to the Public Shareholders to be within the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share.

DBI and the Management Shareholders were not prepared to increase the amount of the cash payment.

Governance and Management Arrangements

The Special Committee requested a number of changes in the governance and management arrangements of Dundee REIT.

DBI and the Management Shareholders agreed to the following changes:

- (a) the number of Trustees appointed by DBI will be one less than a majority of Trustees rather than a majority of the Trustees;
- (b) the senior managers of Dundee REIT, including the president and chief executive officer, the chief financial officer, the chief operating officer and the general counsel and secretary, will be employees of Dundee REIT or a subsidiary of Dundee REIT;
- (c) the property management and administrative services required by Dundee REIT will be provided by Dundee Management LP, a new limited partnership owned 50% by Dundee REIT and 50% by the Corporation;
- (d) the number of Independent Trustees required for a quorum for a meeting of Trustees will be two rather than one;
- (e) all committees of Trustees (other than the investment committee) will consist of a majority of Independent Trustees;
- (f) the chair of all committees of Trustees (other than the investment committee) will be an Independent Trustee;
- (g) the standard of care required of a Trustee will be equivalent to the standard of care required of a director of a corporation formed under the *Canada Business Corporations Act*; and
- (h) the Trustees who are members of the investment committee will be required to meet an experience qualification.

DBI and the Management Shareholders did not agree to the following changes requested by the Special Committee:

- (a) all committees of Trustees (including the investment committee) consist of a majority of Trustees who, in addition to being independent of management of Dundee REIT and independent of DBI and the Management Shareholders, are not appointed by DBI;
- (b) the chair of all committees of Trustees (including the investment committee) be a Trustee who, in addition to being independent of management of Dundee REIT and independent of DBI and the Management Shareholders, is not appointed by DBI;

- (c) DBI's right to appoint Trustees terminate if DBI's interest in Dundee REIT falls below a specified percentage interest. At present, DBI has the right to appoint one less than a majority of Trustees as long as DBI and its affiliates continue to hold, directly or indirectly, four million REIT Units or LP Class B Units, Series 1, no matter how many REIT Units are outstanding; and
- (d) the entity providing property management and administrative services to Dundee REIT be wholly owned by Dundee REIT.

DBI and the Management Shareholders were not prepared to make any further changes to the governance and management arrangements of Dundee REIT. In addition, DBI advised the Special Committee that it does not consider a Trustee as non-independent merely because the Trustee has been appointed by DBI.

Recommendation of the Special Committee

At a meeting of the Special Committee held on May 12, 2003, the Special Committee finalized its report to the Board of Directors. In light of the foregoing and, in particular, the consideration described under “— Proceedings and Deliberations of the Special Committee — Alternatives to the Acquisition”, the Special Committee concluded that it is in the best interests of the Corporation that the Acquisition be put to a vote of the Shareholders for acceptance or rejection.

The Special Committee resolved to recommend that the Board of Directors:

- (a) authorize the Corporation to enter into the Acquisition Agreement;
- (b) submit the Acquisition Resolution to a vote of the Shareholders of the Corporation at the Meeting; and
- (c) make no recommendation to the Public Shareholders as to how they should vote in respect of the Acquisition Resolution but advise the Public Shareholders that they should take the investment considerations described under “— Investment Considerations” into account in determining how to vote in respect of the Acquisition Resolution.

Recommendation of the Board of Directors

The Board of Directors has determined that it is in the best interests of the Corporation to submit the Acquisition Resolution to a vote of the Shareholders. In making this determination, Messrs Ned Goodman, David Goodman, Donald Charter and Michael Cooper, having declared their interest in the Acquisition, abstained from voting.

At a meeting of the Board of Directors held on May 12, 2003, the Board of Directors authorized the Corporation to enter into the Acquisition Agreement, conditional on the satisfactory negotiation of the final terms of the Acquisition Agreement. The negotiation of the final terms of the Acquisition Agreement was concluded, and the Acquisition Agreement was signed, on May 20, 2003.

In accordance with the recommendation of the Special Committee, the Board of Directors has authorized the submission of the Acquisition Resolution to Shareholders without making a recommendation to Shareholders with respect to voting on the Acquisition Resolution. Accordingly, Shareholders should carefully review and consider the Acquisition and the investment considerations identified by the Special Committee and the Board of Directors and reach their own conclusion as to whether to vote for the Acquisition Resolution.

In aggregate, the directors of the Corporation own or exercise control or direction over approximately 667,556 Common Shares (not including Common Shares owned by DBI and its affiliates). Each of the directors has indicated to the Corporation that he intends to vote in favour of the Acquisition Resolution at the Meeting.

Investment Considerations

The following are the investment considerations which the Special Committee and the Board of Directors believe Shareholders should consider in determining how to vote in respect of the Acquisition Resolution:

- (a) the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition was determined by RBC to be in the range of \$23.50 to \$25.00. The fair market value of the Common Shares was determined by RBC to be in the range of \$24.75 to \$28.25;
- (b) the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition was determined by RBC to be in the range of \$7.50 to \$9.00 greater than the 20 day weighted average trading price of the Common Shares on the TSX before the January 27, 2003 announcement by the Corporation in respect of the Acquisition. This value represents a premium of approximately 47% to 56% over the pre-announcement price;
- (c) if the Acquisition is not completed, the trading value of the Common Shares may decline to levels below the per Common Share value of the consideration to be received by the Public Shareholders in connection with the Acquisition and may return to levels comparable to the pre-announcement price;
- (d) the \$3.00 per Common Share to be paid to the Public Shareholders is below the fair market value range as calculated by RBC of the Retained Net Assets under the Retained Net Assets valuation of \$6.50 to \$8.50 per Common Share;
- (e) it is reasonable to assume that, if the Retained Net Assets were held by a stand alone publicly traded entity, the shares or other equity interests in that entity would trade at a discount to the fair market value range of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share. In accordance with the requirements of OSC Rule 61-501 and CVMQ Policy Q-27, the Retained Net Assets Valuation was prepared without any downward adjustment to reflect the liquidity of the Retained Net Assets or any discount reflective of a minority interest;
- (f) the governance and management arrangements of Dundee REIT do not include the following elements requested by the Special Committee:
 - (1) there is no requirement that a majority of the Trustees, or that the majority of the members of committees of the Trustees, be persons who are not appointed by DBI;
 - (2) there is no requirement that the chair of each committee of Trustees not be appointed by DBI;
 - (3) there is no requirement that a majority of Trustees on, or the chair of, the investment committee be Independent Trustees;
 - (4) DBI will continue to have the right to appoint one less than a majority of Trustees as long as DBI and its affiliates hold four million REIT Units or LP Class B Units, Series 1, regardless of their percentage ownership interest in Dundee REIT; and
 - (5) property management and administrative services are provided to Dundee REIT by Dundee Management LP, a limited partnership owned 50% by Dundee REIT and 50% by the Corporation rather than wholly-owned by Dundee REIT;
- (g) the following procedural protections are in place in connection with the approval of the Acquisition:
 - (1) the directors of the Corporation who are not independent of DBI and the Management Shareholders abstained from voting in respect of the Acquisition;

- (2) in order to be effective, the Acquisition must be approved by the affirmative vote of at least 66²/₃% of the votes cast by the Shareholders at the Meeting and by a majority of the votes cast by the Minority Shareholders at the Meeting;
 - (3) in order to become effective, the Acquisition must be approved by the Ontario Superior Court of Justice. In considering whether to approve the Acquisition, the Court will consider the fairness of the Acquisition to the Public Shareholders; and
 - (4) subject to the limitations set out under “Rights of Dissent”, the Public Shareholders will have the right to dissent in respect of the Acquisition Resolution and, if they do, to be paid the fair value of their Common Shares in cash; and
- (h) DBI holds approximately 44.7% of the outstanding Common Shares and does not wish to sell its position. Accordingly, it is unlikely that an alternative transaction could emerge that would provide greater value to the Public Shareholders than the Acquisition.

The foregoing list is not intended to be exhaustive. In addition, the Special Committee and the Board of Directors did not assign any relative or specific weights to the investment considerations.

RBC Valuations and Fairness Opinion

A copy of the RBC Valuations and Fairness Opinion which is dated May 2, 2003 is attached as Appendix H to this Information Circular. Shareholders should carefully review and consider the RBC Valuations and Fairness Opinion in its entirety. The RBC Valuations and Fairness Opinion is subject to the assumptions and limitations contained therein.

The following section summarizes the RBC Valuations and Fairness Opinion, describing the methodologies used to determine the valuations contained therein, the scope of review undertaken and the relevant factors and the key assumptions on which the RBC Valuations and Fairness Opinion are based. The following summary is qualified in its entirety by, and should be read in conjunction with, the RBC Valuations and Fairness Opinion.

Engagement of RBC

RBC was engaged by the Special Committee through an agreement between the Corporation and RBC (the “Engagement Agreement”) dated February 10, 2003. The terms of the Engagement Agreement provide that RBC is to be paid \$425,000 for the RBC Valuations and Fairness Opinion. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Corporation in certain circumstances. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the RBC Valuations and Fairness Opinion or the successful outcome of the Acquisition.

Credentials of RBC and Relationship of RBC with Interested Parties

RBC is one of Canada’s largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally.

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Corporation, DBI or any of their respective associates or affiliates. Other than the services provided under the Engagement Agreement, RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Corporation, DBI or any of their respective associates or affiliates, within the past two years other than (i) arranging first mortgage financing in respect of one of the Corporation’s income producing commercial properties, and (ii) participating in three public offerings of limited partnership units relating to affiliates of DBI, including acting as lead manager in respect of two such offerings. There are no understandings, agreements

or commitments between RBC and the Corporation, DBI or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Corporation, DBI or any of their respective associates or affiliates. A Canadian chartered bank, of which RBC is a wholly-owned subsidiary, provides banking services to the Corporation, DBI and certain of their respective associates and affiliates in the normal course of business.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Corporation, DBI, Dundee REIT or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Corporation, DBI, Dundee REIT or the Acquisition.

Scope of Review

In preparing the RBC Valuations and Fairness Opinion, RBC held discussions with the Special Committee and its legal counsel, members of senior management of the Corporation and the Corporation's tax advisors and legal counsel; reviewed certain public and non-public information relating to the Corporation; reviewed drafts of the principal documents relating to the Acquisition; carried out site visits to certain of the Corporation's properties; reviewed public information relating to the Corporation and other selected public entities, transactions of a comparable nature to the Acquisition, the real estate industry generally and commercial property and land and housing development entities in particular; and reviewed and relied upon such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

Assumptions and Limitations

With the Special Committee's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Corporation, and their consultants and advisors (collectively, the "Information"). The RBC Valuations and Fairness Opinion are conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described in the RBC Valuations and Fairness Opinion, RBC has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

In preparing the RBC Valuations and Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met and that the disclosure provided or incorporated by reference in the draft Information Circular with respect to the Corporation, its subsidiaries and affiliates and the Acquisition is accurate in all material respects.

The RBC Valuations and Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date of the RBC Valuations and Fairness Opinion and the condition and prospects, financial and otherwise, of the Corporation and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Corporation. In its analyses and in preparing the RBC Valuations and Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Acquisition.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the RBC Valuations and Fairness Opinion. The preparation of a valuation or fairness opinion is a complex process and is not necessarily susceptible to partial analysis or

summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The RBC Valuations and Fairness Opinion are not to be construed as a recommendation to any holder of Common Shares as to whether to vote in favour of the Acquisition.

Definition of Fair Market Value

For purposes of the RBC Valuations and Fairness Opinion, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. RBC has not made any downward adjustment to the value of the Common Shares or the Retained Net Assets to reflect their liquidity, the effect of the Acquisition or the fact that the Common Shares held by the Public Shareholders do not form part of a controlling interest.

Valuation Methodologies

Dundee Realty Valuation

RBC's primary valuation methodology in preparing the Dundee Realty Valuation was an after-tax net asset value ("NAV") approach. As a test of the NAV range obtained, RBC also reviewed precedent transactions involving public real estate entities with significant income producing properties, including an analysis of the implied capitalization rates of net operating income and multiples of funds from operations ("FFO").

The NAV approach ascribes a separate value for each category of asset and liability, utilizing the methodology appropriate in each case. The sum of the total assets less total liabilities yields the NAV. The seven key components to Dundee Realty's NAV are summarized below:

Income producing properties

RBC used primarily a capitalization of net operating income approach to value the income producing properties. Three-year unlevered free cash flow projections for each property were prepared based on projections provided by management of the Corporation. Appropriate capitalization rates were selected based on precedent private market transactions and RBC's knowledge of current real estate pricing parameters. The property values resulting from the above analyses were reviewed on the basis of price per square foot and average yield to ensure these measures were also consistent with market pricing parameters.

Land and housing developments

RBC used primarily a discounted cash flow ("DCF") analysis approach to valuation of the Corporation's land under development and housing activities and a price per acre approach to valuation of the Corporation's land held for future development. The DCF approach takes into account the amount, timing and relative certainty of projected free cash flows expected to be generated by the Corporation's projects. The DCF approach requires that certain assumptions be made regarding, among other things, future cash flows and discount rates. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values. Four-year *pro forma* unlevered free cash flow projections for the Corporation's land under development and housing activities were prepared based on projections provided by management of the Corporation. The discount rates applied to these projected unlevered free cash flows were selected based on precedent private market transactions and RBC's knowledge of current pricing parameters for land and housing development. The values resulting from the above analyses were reviewed on the basis of housing lot values in the case of land under development to ensure these measures were also consistent with market pricing parameters.

Real estate services business

RBC used primarily a forward multiple of earnings before interest, taxes, depreciation and amortization (“EBITDA”) approach to the valuation of the Corporation’s real estate services business, the primary methodology upon which companies in such business are valued. Appropriate multiples were selected based on the nature of the Corporation’s management contracts, precedent private market transactions and RBC’s knowledge of current real estate services pricing parameters.

Secured and corporate level debt

RBC determined that the terms of the Corporation’s fixed rate debt are slightly above market terms. Based on current Government of Canada Bond yields and real estate lending spreads, RBC estimates that marking the fixed rate debt to market decreases Dundee Realty’s NAV by approximately \$17.8 million.

Income taxes and tax deductions

RBC reduced Dundee Realty’s NAV to reflect the lower tax basis of the Company’s assets relative to their fair market value. This analysis calculated the net present value (“NPV”) of the foregone tax shield (due to the lower basis) for the Corporation’s income producing properties and the NPV of the estimated tax liability associated with the realization of the Corporation’s land and housing assets. Offsetting these potential tax liabilities are a number of tax deductions available to the Corporation including non-capital loss carryforwards (“LCFs”) that are available to offset future taxable income. RBC has estimated the benefit of these LCFs based on an analysis of the NPV of the tax shelter over the same timeframe as the foregone tax shield calculation above and has increased Dundee Realty’s NAV accordingly.

Other assets and liabilities

The Company has outstanding options to purchase approximately 1.9 million Shares at prices ranging from \$8.80 to \$24.00 per Share (weighted average price is \$13.02 per Share). For the purposes of the NAV analysis, certain of the options held by the Management Shareholders with exercise prices less than the NAV per Share are assumed to be exercised for cash proceeds. All other options with exercise prices less than the NAV per Share are assumed to be cancelled in exchange for cash payments equal to their respective intrinsic values.

The Corporation has a number of historic contingent liabilities, certain of which have been risk adjusted based on discussions with the general counsel of the Corporation resulting in a deduction from Dundee Realty’s NAV.

The Corporation’s other non-real estate assets and liabilities, including working capital, were valued at their book value for purposes of RBC’s NAV analysis, except for deferred expenses related to tenant inducements and financing costs which were given no value.

RBC also added an amount to Dundee Realty’s NAV in respect of estimated free cash flow generated from December 31, 2002 to the date of the RBC Valuations and Fairness Opinion.

Capitalized general and administrative (“G&A”) expenses

RBC deducted from the Dundee Realty NAV an amount in respect of the capitalized cost of the Corporation’s non-recoverable G&A expenses.

Dundee REIT Valuation

In preparing the Dundee REIT Valuation, RBC determined that the appropriate approach was to use the expected market trading value of the REIT Units after an appropriate period to allow for recycling of the REIT Units following completion of the Acquisition. RBC considered the characteristics of publicly traded commercial property REITs in the Canadian equity market including, among other things, the size, quality and mix of their assets, market capitalization and following in the capital markets, forward trading

multiples of FFO, current yields, payout ratios based on recurring distributable income and adjusted funds from operations, tax deferral of distributions, leverage, property and asset management arrangements, ownership and governance. RBC also considered a NAV analysis of Dundee REIT primarily as a check on expected market trading values.

Retained Net Assets Valuation

RBC's primary valuation methodology in preparing the Retained Net Assets Valuation was an after-tax NAV approach. Other than the division of the Corporation's assets and liabilities between Dundee REIT and the Corporation, there are five key differences in the components of the Retained Net Assets NAV compared to the NAV analysis under the Dundee Realty Valuation as summarized above:

Interest in Dundee Management LP

RBC used primarily a forward multiple of EBITDA approach to value the real estate services business of Dundee Management LP following completion of the Acquisition.

Obligation regarding vacant space

Under the Master Property Management Agreement, the Corporation will pay a rent supplement to Dundee Properties LP in respect of certain commercial space in certain of the RP Properties. RBC reviewed budgeted leasing projections for the RP Properties prepared by management of the Corporation. RBC also considered current leasing conditions in the markets where the RP Properties are located as well as the potential liability in the event that the space subject to the rent supplement is not leased to third parties during the relevant term of the rent supplement. RBC reduced the Retained Net Assets NAV to reflect the rent supplement obligation.

Notes Receivable from the Management Shareholders

Under the Acquisition, the Management Shareholders will exercise certain of the options held by them to acquire Common Shares, and the Corporation will hold notes receivable from the Management Shareholders in respect of the aggregate exercise price. RBC has reviewed the terms of the notes and concluded that their fair market value is equivalent to their face amount.

Transaction Costs

RBC has reduced the Retained Net Assets NAV to reflect the transaction costs that will be incurred by the Corporation in connection with the Acquisition.

Capitalized G&A Expenses

Upon completion of the Acquisition, the Corporation will have residual corporate non-recoverable G&A expenses that have neither been allocated to Dundee REIT nor deducted in arriving at the EBITDA for Dundee Management LP described above. For the purposes of the Retained Net Assets NAV analysis, RBC has deducted an amount for the capitalized cost of such G&A expenses.

Distinctive Material Benefit

OSC Rule 61-501 requires that the RBC Valuations and Fairness Opinion address any distinctive material benefit that might accrue to an interested party as a consequence of the Acquisition. Accordingly, in connection with the Dundee Realty Valuation, RBC reviewed and considered whether any distinctive material value will accrue to DBI and the Management Shareholders through the acquisition of all the Common Shares held by the Public Shareholders as contemplated under the Acquisition. RBC concluded that there were no material specific operational or financial benefits that would accrue to DBI and the Management Shareholders such as the earlier use of available tax losses, lower income tax rates, reduced

operating costs, increased revenues, higher asset utilization or any other operational or financial benefits, other than the elimination of public company costs.

Valuations

In the opinion of RBC, as at May 2, 2003:

- (a) *Dundee Realty Valuation:* the fair market value of the Common Shares is in the range of \$24.75 to \$28.25 per Common Share;
- (b) *REIT Valuation:* the fair market value of the REIT Units, Series A is in the range of \$20.50 to \$22.00 per REIT Unit, Series A; and
- (c) *Retained Net Assets Valuation:* the fair market value of the Retained Net Assets is in the range of \$6.50 to \$8.50 per Common Share.

Fairness Opinion

Factors Considered

In considering the fairness of the consideration under the Acquisition from a financial point of view to the Public Shareholders, RBC viewed the Acquisition as a *pro rata* distribution of the RP Properties by means of a distribution of REIT Units (or LP Class B Units, Series 1 that are exchangeable for REIT Units) to all holders of Common Shares and an acquisition of the Public Shareholders' interest in the Retained Net Assets by the DBI Group. As a result, RBC principally considered and relied upon the following:

- (a) a comparison of the range of fair market values of the REIT Units under the REIT Valuation to the implied trading value of the RP Properties as part of the Corporation prior to the Corporation's announcement (the "Announcement") on January 27, 2003 in respect of the Acquisition; and
- (b) a comparison of the Cash Payment to the range of fair market values of the Retained Net Assets under the Retained Net Assets Valuation.

In RBC's opinion, both of these tests must be met in order for the consideration under the Acquisition to be fair from a financial point of view to the Public Shareholders.

Comparison of the REIT Valuation to the Implied Trading Value of the RP Properties

The range of fair market values of the REIT Units under the REIT Valuation of \$20.50 to \$22.00 per REIT Unit exceeds the \$16.10 closing price of the Common Shares (including the Retained Net Assets) immediately prior to the Announcement.

Comparison of the Cash Payment to the Retained Net Assets Valuation

The Cash Payment of \$3.00 per Common Share held by the Public Shareholders for the Retained Net Assets under the Acquisition is below the range of fair market values of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Common Share.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date of the RBC Valuations and Fairness Opinion, the consideration under the Acquisition is inadequate from a financial point of view to the Public Shareholders.

THE ACQUISITION AGREEMENT AND THE PLAN OF ARRANGEMENT

The following description of the Acquisition is qualified in its entirety by reference to the full text of the Acquisition Agreement and the Plan of Arrangement set forth in Appendix D of this Information Circular.

Overview of the Acquisition

DBI is proposing to acquire the Corporation pursuant to the Acquisition, which would result in the reorganization of the commercial revenue producing properties of the Corporation into a real estate investment trust to be named “Dundee Real Estate Investment Trust” or “Dundee REIT”.

The Acquisition will be effected as a multi-step transaction. The Acquisition will involve (a) the Amalgamation, (b) the sale of the RP Properties by the Corporation and its affiliates to Dundee Properties LP and the transfer of the property management business of the Corporation to Dundee Management LP and (c) the Arrangement. The Corporation will effect certain pre-acquisition transactions prior to the Amalgamation to facilitate the sale of the RP Properties to Dundee Properties LP. The Arrangement itself will be implemented in a series of transactions pursuant to the Plan of Arrangement. If the Acquisition Resolution is approved in the manner described in this Information Circular, completion of the Acquisition will result in the acquisition by an affiliate of DBI of all of the issued and outstanding Common Shares, the indirect transfer of substantially all of the commercial revenue producing properties of the Corporation to Dundee REIT, the transfer of the property management business of the Corporation to Dundee Management LP (to be jointly owned by Dundee REIT and the Corporation) and the retention by the Corporation of the land and housing assets of the Corporation and certain other assets not appropriate for Dundee REIT.

Following the Acquisition, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders and the Common Shares will no longer be listed on the TSX.

In connection with the Acquisition, Public Shareholders will receive \$3.00 in cash and one REIT Unit, Series A for each Common Share held.

The Amalgamation

On the Effective Date, the Corporation will be amalgamated with three of its wholly-owned subsidiaries, DDC, Park Home Holdings and DRI to continue under the name “Dundee Realty Corporation”. In accordance with applicable law, the outstanding shares of DDC, Park Home Holdings and DRI will be cancelled without the payment of any consideration. All of the assets, rights and obligations of each of the Corporation, DDC, Park Home Holdings and DRI will become the assets, rights and obligations of the amalgamated Dundee Realty Corporation. References in this Information Circular to the “Corporation” after the time of the Amalgamation are to the corporation formed upon the Amalgamation and references to “Common Shares” after the time of the Amalgamation refer to the common shares of such amalgamated corporation.

The Sale of the RP Properties and the Property Management Business

General

Following the Amalgamation but prior to the transfer of the RP Properties, the Corporation and DCP will subscribe for an aggregate of 6,909,245 LP Class B Units, Series 1. Following this subscription and immediately prior to the commencement of the Arrangement on the Effective Date, the Corporation and DCP will transfer the RP Properties, or cause the RP Properties to be transferred, to Dundee Properties LP for an aggregate purchase price of approximately \$850 million and Dundee Management LP will acquire the property management business of the Corporation for a purchase price of approximately \$1 million.

The purchase price consideration to be paid by Dundee Properties LP for the RP Properties will consist of the assumption of approximately \$510 million in mortgage financing and other amounts, the issuance by Dundee Properties LP of three series of demand promissory notes in the aggregate principal amount of approximately \$195 million and an addition to the capital account of the Corporation and DCP in respect of their LP Class B Units, Series 1. The relative amounts of the purchase price consideration to be paid by Dundee Properties LP for the RP Properties have not been determined and are subject to adjustment in accordance with the terms and conditions of the Master Asset Transfer Agreements. The property management business of the Corporation will be transferred to Dundee Management LP in exchange for a 50% interest in Dundee Management LP.

Master Asset Transfer Agreements

Pursuant to the terms of the Master Asset Transfer Agreements, each of the Corporation and DCP will agree, subject to certain conditions, to transfer or cause to be transferred to Dundee Properties LP their respective interests in the RP Properties. Immediately following the Closing, the RP Properties will be subject to existing mortgages in the estimated aggregate principal amount of \$510 million. Dundee Properties LP will execute assumption agreements with the various mortgagees under the existing mortgages whereby Dundee Properties LP will assume the vendor's obligations under the mortgages secured by the RP Properties.

If any required consent to transfer any of the RP Properties is not obtained on or before the Effective Date, the parties may elect to postpone completion of the sale of such RP Property in which case Dundee Properties LP shall not reduce the amount of notes to be issued on Closing and instead, the vendor shall deliver to Dundee Properties LP on Closing such assurances and agreements as the parties may determine to provide Dundee Properties LP with substantially similar economic equivalence to having received a transfer of such RP Property on Closing. Alternatively, the parties may agree to transfer such RP Property to Dundee Properties LP in which event the Vendor shall provide an indemnity in favour of Dundee Properties LP from and against any losses, costs and expenses incurred by it as a result of the failure to obtain the necessary consent.

Pending the transfer of such RP Property, the vendor shall engage Dundee Management LP to manage the RP Property on the same terms and conditions as set out in the Master Property Management Agreement. Prior to transfer, the vendor may refinance any existing mortgage on such RP Property on terms and conditions acceptable to Dundee Properties LP, acting reasonably.

Property Management Business Transfer Agreement

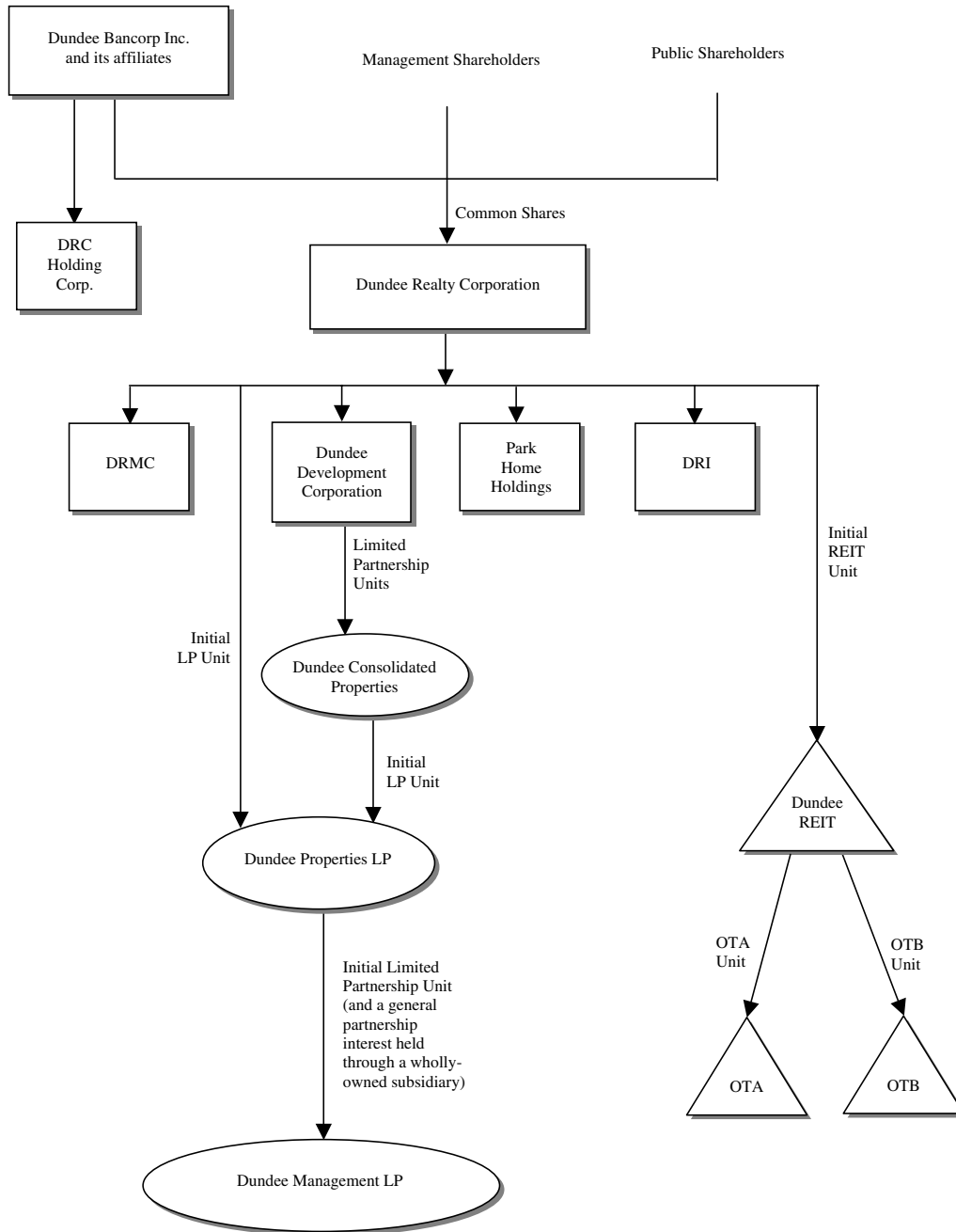
Pursuant to the terms of the Property Management Business Transfer Agreement, the Corporation will agree, subject to certain conditions, to transfer to Dundee Management LP its interest in its subsidiaries which currently carry on the Corporation's property management business for a purchase price of approximately \$1 million.

The Arrangement

The Arrangement will be implemented in a series of transactions pursuant to the Plan of Arrangement, which is attached as Appendix I to the Acquisition Agreement and is described under "— The Plan of Arrangement".

Organizational Structure Prior to the Acquisition

The following diagram sets out the simplified organizational structure of the Corporation, Dundee REIT and the other entities that will participate in the Acquisition.



The Plan of Arrangement

The Corporation, DBI, Dundee REIT, OTA, OTB, Dundee Properties LP and Dundee Management LP have entered into the Acquisition Agreement which provides for the implementation of the

Acquisition, including the implementation of the Arrangement pursuant to Section 182 of the OBCA. The Acquisition Agreement contains customary covenants, representations, and warranties of and from each of the parties and various conditions which must be satisfied or waived before the parties will be required to proceed with the Acquisition. The Plan of Arrangement is attached as Appendix I to the Acquisition Agreement and sets out the transactions that will occur pursuant to the Arrangement.

The Amalgamation will become effective on the Effective Date prior to the sale of the RP Properties to Dundee Properties LP and the transfer of the property management business of the Corporation to Dundee Management LP. The sale of the RP Properties to Dundee Properties LP and the transfer of the property management business of the Corporation to Dundee Management LP will be completed immediately prior to the commencement of the Arrangement on the Effective Date. The Arrangement will become effective on the Effective Date. On such date, commencing at the Effective Time of the Arrangement, each of the events listed below shall occur and shall be deemed to occur, except as otherwise noted, one minute apart and in the following sequence without further act or formality:

- (a) The Corporation's shareholder rights plan will be terminated;
- (b) DCP will transfer a demand promissory note of Dundee Properties LP received as partial consideration for the transfer by DCP of its RP Properties (the "LP Note, Series 1") to the Corporation as a return of capital;
- (c) The Corporation will transfer the LP Note, Series 1 and a demand promissory note of Dundee Properties LP received as partial consideration for the transfer by the Corporation of its RP Properties (the "LP Note, Series 2") to Dundee REIT in consideration for the issuance by Dundee REIT of REIT Units, Series A;
- (d) Dundee REIT will redeem the initial unit of Dundee REIT held by the Corporation in consideration for the payment to the Corporation of \$10 in cash;
- (e) The Corporation will transfer to Dundee REIT all of the issued and outstanding shares of Properties General Partner in consideration for the payment by Dundee REIT to the Corporation of \$1 in cash;
- (f) DCP will transfer a further demand promissory note of Dundee Properties LP received as partial consideration for the transfer by DCP of its RP Properties (the "LP Note, Series 3") to Dundee REIT in consideration for the issuance by Dundee REIT of 1,400,000 REIT Units, Series A;
- (g) Dundee REIT will transfer the LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3 to OTA in consideration for OTA Units and OTA Notes;
- (h) OTA will transfer the LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3 to Dundee Properties LP in consideration for the issuance of LP Class A Units;
- (i) The Corporation will acquire 15,000 REIT Units, Series A from Dundee REIT in consideration for a demand promissory note of the Corporation (the "DRC Note");
- (j) Dundee REIT will transfer the DRC Note to OTA in consideration for OTA Units and OTA Notes;
- (k) OTA will transfer the DRC Note to Dundee Properties LP in consideration for the issuance by Dundee Properties LP to OTA of 15,000 LP Class A Units;
- (l) The Corporation will distribute 100 REIT Units, Series A to each of 150 select employees of the Corporation or its subsidiaries for the purposes of qualifying Dundee REIT as a "mutual fund trust" under the Tax Act;
- (m) Each outstanding Common Share held by a Public Shareholder will be acquired by Holding in consideration for the payment of \$3.00 in cash and the issuance of one Holding Special Warrant;

- (n) All of the outstanding Common Shares held by certain of the Management Shareholders will be acquired by Holding in consideration for:
 - (i) the cancellation of indebtedness owing by certain of the Management Shareholders to Holding;
 - (ii) the issuance of Holding Special Warrants;
 - (iii) the issuance of class D preferred shares in the capital of Holding;
 - (iv) the issuance of non-voting common shares in the capital of Holding; and
 - (v) the issuance of class C voting preferred shares in the capital of Holding;
- (o) All of the outstanding Common Shares held by DBI and any affiliate of DBI that is a registered shareholder of the Corporation at the Effective Time of the Arrangement will be acquired by Holding in consideration for:
 - (i) the issuance of class B preferred shares in the capital of Holding;
 - (ii) the issuance of non-voting common shares in the capital of Holding;
 - (iii) the issuance of class C voting preferred shares in the capital of Holding; and
 - (iv) the issuance of class A preferred shares in the capital of Holding;
- (p) Effective at 1:00 p.m. on the Effective Date, the Corporation will file an election with the Canada Customs and Revenue Agency to cease to be a “public corporation” under the Tax Act;
- (q) Effective at 6:00 p.m. on the Effective Date, the Corporation will transfer all of the REIT Units, Series A held by the Corporation to Holding as a return of capital;
- (r) Effective at 6:01 p.m. on the Effective Date, DCP will transfer 1,400,000 REIT Units, Series A to Holding in consideration for a demand promissory note of Holding; and
- (s) Effective at 6:02 p.m. on the Effective Date, each Holding Special Warrant will be automatically exercised and the holder will receive one REIT Unit, Series A.

All Common Shares held by Dissenting Shareholders who exercise their right to dissent shall, if the Dissenting Shareholder is ultimately entitled to be paid the fair value therefor, be deemed to be transferred to the Corporation on the Effective Date in exchange for such fair value. If a Dissenting Shareholder ultimately is not entitled to be paid the fair value for their Common Shares determined in accordance with Section 185 of the OBCA, the Dissenting Shareholder shall be deemed to have participated in the Arrangement as a non-dissenting Shareholder and shall be entitled to receive one REIT Unit, Series A and \$3.00 for each Common Share held at the Effective Time of the Arrangement.

Effects of the Acquisition

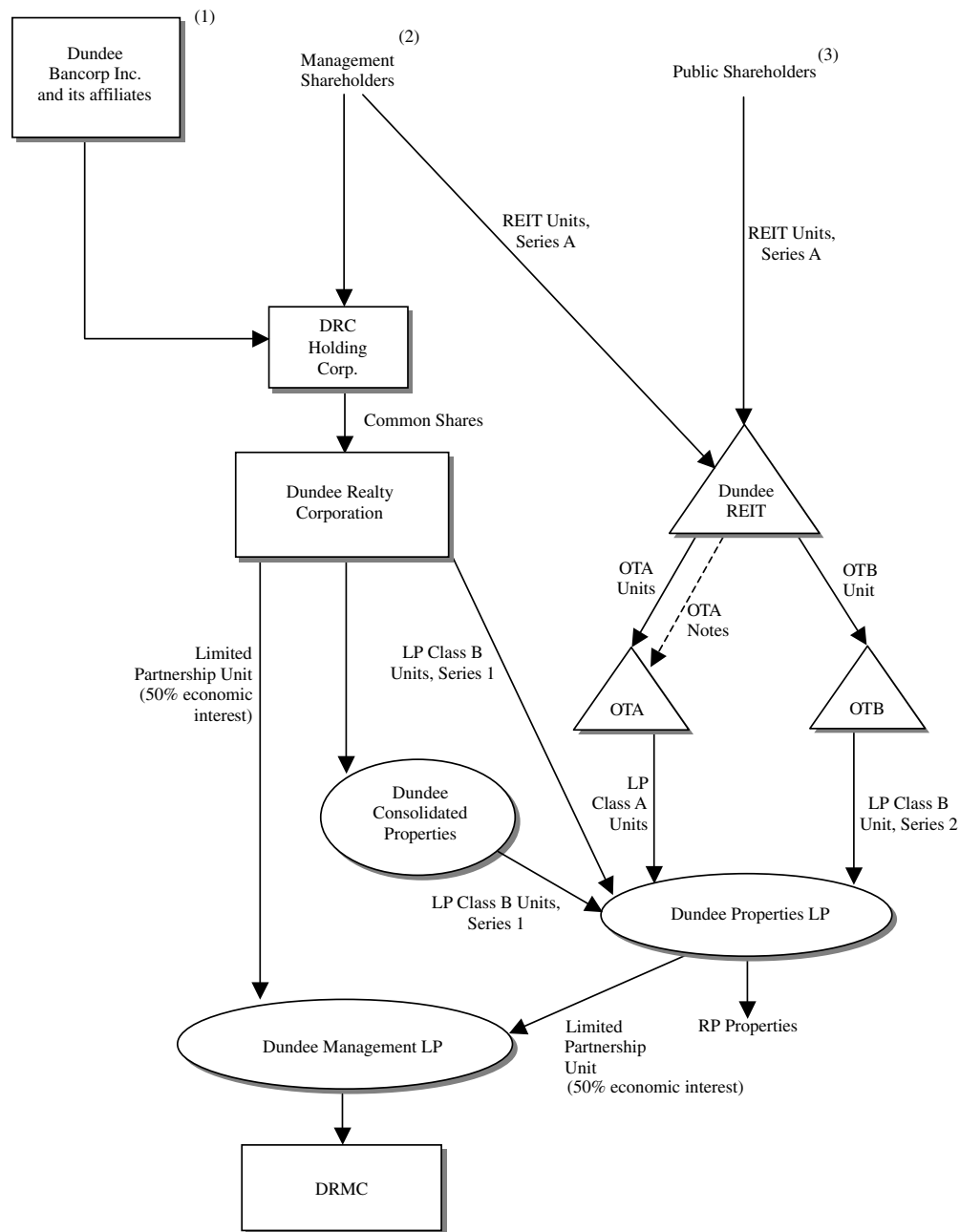
Following the completion of the Arrangement:

- (a) the Public Shareholders will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 49.1%;
- (b) DBI and certain of its affiliates will indirectly hold LP Class B Units, Series 1, which will effectively represent an equity interest in Dundee REIT of approximately 42.7%;
- (c) the Management Shareholders and their associates will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 8.2%;
- (d) Holding will be owned by DBI, certain of its affiliates and the Management Shareholders;
- (e) Holding will hold all of the issued and outstanding Common Shares;

- (f) Dundee Properties LP will directly and indirectly hold the RP Properties;
- (g) the Corporation will continue to own and operate the land and housing business and certain commercial revenue producing properties (which commercial revenue producing properties are anticipated to be disposed of by the end of 2003);
- (h) Dundee Management LP will carry on the property management business of the Corporation and will be jointly owned by the Corporation and Dundee Properties LP;
- (i) Dundee REIT will directly or indirectly own all of the issued and outstanding common shares of Properties General Partner, the Operating Trust Units and the OTA Notes;
- (j) OTA will own all of the issued and outstanding LP Class A Units; and
- (k) OTB will own one LP Class B Unit, Series 2.

Post-Acquisition Organizational Structure

The following diagram sets out the simplified organizational structure of the Corporation, Dundee REIT and the entities participating in the Acquisition following the Effective Time of the Arrangement:



- (1) DBI and its affiliates will indirectly hold LP Class B Units, Series 1, which will effectively represent an equity interest in Dundee REIT of approximately 42.7%.
- (2) Management Shareholders and their associates will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 8.2%.
- (3) Public Shareholders will hold REIT Units, Series A, which will represent an equity interest in Dundee REIT of approximately 49.1%.

Conditions to the Arrangement

Mutual Conditions

The respective obligations of the Corporation, DBI, Dundee REIT, OTA, OTB, Dundee Properties LP and Dundee Management LP to complete the Arrangement are subject to the fulfilment or mutual waiver by each of them on or before the Effective Time of the Arrangement of a number of conditions, including the following:

- (a) the Interim Order shall have been obtained in form and on terms satisfactory to each of the Corporation and DBI, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Acquisition Resolution shall have been approved at the Meeting in accordance with the Interim Order;
- (c) the Final Order shall have been obtained in form and on terms satisfactory to each of the Corporation and DBI, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (d) the Amalgamation shall have become effective;
- (e) the sale of RP Properties by the Corporation to Dundee Properties LP shall have been completed in accordance with the DRC Master Asset Transfer Agreement;
- (f) the sale of RP Properties by DCP to Dundee Properties LP shall have been completed in accordance with the DCP Master Asset Transfer Agreement;
- (g) the sale of the Corporation's property management business to Dundee Management LP shall have been completed in accordance with the Property Management Business Transfer Agreement;
- (h) there shall not have occurred any actual or threatened (including any proposal by the Minister of Finance (Canada)) change or amendment to the Tax Act or to the regulations thereunder or to any applicable provincial tax legislation or to the regulations thereunder or any publicly stated administrative position or practice in relation thereto which, directly or indirectly, has or may have any material adverse significance with respect to the Acquisition including, without limitation, the consideration payable to the Shareholders under the Arrangement and the tax treatment of Unitholders;
- (i) all regulatory approvals shall have been obtained on terms and conditions satisfactory to the Corporation and DBI, acting reasonably;
- (j) all requisite consents to the completion of the transactions contemplated by the Acquisition Agreement by lenders to or co-owners with the Corporation or its subsidiaries shall have been obtained on terms and conditions satisfactory to the Corporation and DBI, acting reasonably;
- (k) the TSX shall have granted conditional listing approval to the listing of the REIT Units, Series A, subject to the usual and customary conditions;
- (l) the TSX shall have agreed to delist the Common Shares at a time between 8:30 a.m. and 12:30 p.m. on the Effective Date;
- (m) no order or decree of any court, tribunal, governmental agency or other regulatory authority or administrative agency, board or commission, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Acquisition or the transactions contemplated thereby;

- (n) the Corporation and DBI shall each be satisfied that neither the Corporation nor Holding will be liable to pay tax under the Tax Act or any provincial income tax legislation in respect of the distribution or transfer of REIT Units, Series A on the Arrangement;
- (o) all documentation relating to the completion of the Acquisition in accordance with the terms of the Acquisition Agreement, including the final form of the DCP Master Asset Transfer Agreement, DRC Administrative Services Agreement, DRC Master Asset Transfer Agreement, Dundee Realty Non-Competition Agreement, Dundee REIT Administrative Services Agreement, Exchange and Support Agreement, Individual Non-Competition Agreement, Master Property Management Agreement, OTB Subscription Agreement, Series 1 Subscription Agreement and any amendments to the constating documents of Dundee REIT, Dundee Properties LP, Dundee Management LP, OTA and OTB requested by a party shall be satisfactory to the parties thereto, acting reasonably;
- (p) there shall not exist any prohibition at law against the completion of the Arrangement; and
- (q) the Acquisition Agreement shall not have been terminated in accordance with the terms thereof.

Conditions in Favour of DBI

In addition to the mutual conditions described above, the obligation of DBI to complete the Arrangement is also subject to certain other conditions, each of which is for DBI's exclusive benefit and may be asserted or waived by it in its sole discretion at any time on or before the Effective Time of the Arrangement, in whole or in part. These include the following:

- (a) the Corporation shall have performed each covenant or obligation to be performed by it under the Acquisition Agreement in favour of DBI at or prior to the Effective Time of the Arrangement;
- (b) the representations and warranties of the Corporation set out in the Acquisition Agreement shall be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Acquisition Agreement and DBI shall have received a certificate from the Corporation addressed to DBI and dated the Effective Date, signed on behalf of the Corporation by two senior executive officers of the Corporation (on the Corporation's behalf without personal liability), confirming the same as at the Effective Date;
- (c) the Corporation shall have completed to the satisfaction of DBI, prior to the Effective Date, certain pre-Acquisition transactions;
- (d) Shareholders holding no more than 1% of the Common Shares shall have exercised their right to dissent in respect of the Acquisition Resolution;
- (e) from and after December 31, 2002, except as disclosed by the Corporation to DBI, contemplated in the Acquisition Agreement or the Plan of Arrangement or with the prior written approval of DBI, neither the Corporation nor any subsidiary of the Corporation shall have authorized, proposed or completed, or shall have entered into any agreement, arrangement or understanding with respect to, various matters including: (i) take-over bids, mergers, amalgamations, arrangements or reorganizations (other than as contemplated by the Acquisition Agreement); (ii) material acquisitions of assets or securities; (iii) material dispositions of assets or securities; (iv) any material change in its capitalization (including, but not limited to, any increase in the amount of its borrowings or any material conversion of short term borrowings to long term borrowings); (v) declaring or paying any dividend or declaring, authorizing or maturing any distribution of or on any securities of the Corporation whether payable in cash securities or otherwise without the prior approval of at least 66⅔% of the Shareholders, nor declaring or paying any dividend or declaring, authorizing or making

any distribution of or on any securities of any subsidiary of the Corporation whether payable in cash, securities or otherwise other than any dividend or distribution by a wholly-owned subsidiary of the Corporation to the Corporation or another wholly-owned subsidiary of the Corporation; (vi) employee matters (other than in the ordinary course of business); (vii) the release or relinquishment of any material contractual right not in the ordinary course of business; (viii) amendments to its constating documents or the issuance, purchase or other acquisition of any shares of its capital stock or securities convertible into or exchangeable for, or rights, warrants or options to acquire, any such shares or other convertible securities (other than the issuance of Common Shares on the exercise of stock options); (ix) the guarantee of payment of any indebtedness; (x) instituting, cancelling or modifying any pension plans or other employee benefit arrangements; and (ix) any other material change in the business, operations, affairs, assets, capitalization, financial condition, licenses, permits, rights or privileges of the Corporation or its subsidiaries on a consolidated basis;

- (f) from and after December 31, 2002, there shall not have occurred or arisen (or have been generally disclosed or discovered, if not previously disclosed in writing to and acknowledged by DBI), any material adverse change in respect of the Corporation. For this purpose, “material adverse change” means any change, effect, event or occurrence with respect to the Corporation’s condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued conditional or otherwise), businesses, operations or results of operations or those of its subsidiaries that is, or could reasonably be expected to be, material and adverse to the business, operations or financial condition of the Corporation and its subsidiaries taken as a whole, other than any change, effect, event or occurrence (i) relating to the Canadian or United States economy or securities markets in general or (ii) affecting the Canadian or United States real estate industry in general;
- (g) DBI shall be satisfied that the transactions contemplated by the Acquisition Agreement will not result in the breach of any material covenant to which the Corporation or DBI is bound or subject; and
- (h) certain of the Management Shareholders and DBI, each acting reasonably, shall have agreed upon the provisions, terms and conditions of the non-voting common shares, class A preferred shares, class B preferred shares, class C voting preferred shares and class D preferred shares in the capital of Holding, shall have entered into a shareholders agreement upon terms and conditions acceptable to DBI, acting reasonably, and shall have entered into such other agreements on terms and conditions acceptable to DBI, acting reasonably, as DBI may consider necessary with respect to their respective shareholdings in, and the management and operation of, Holding.

Conditions in Favour of the Corporation and Dundee REIT

In addition to the mutual conditions described above, the obligation of the Corporation and Dundee REIT to complete the Arrangement is also subject to certain other conditions, each of which is for the exclusive benefit of each of the Corporation and Dundee REIT and may be asserted by either or waived by both in their respective sole discretion at any time on or before the Effective Time of the Arrangement, in whole or in part. These include the following:

- (a) DBI shall have performed each covenant or obligation to be performed by it under the Acquisition Agreement in favour of the Corporation on or prior to the Effective Date; and
- (b) the representations and warranties of DBI set out in the Acquisition Agreement shall be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by the Acquisition Agreement and the Corporation and Dundee REIT shall have received a certificate from DBI addressed to the Corporation and Dundee REIT dated the Effective Date, signed on behalf of DBI by one

senior executive officer of DBI (on DBI's behalf without personal liability), confirming the same as at the Effective Date.

There can be no assurance that the foregoing conditions will be satisfied or waived on a timely basis.

Termination and Amendment

The Acquisition Agreement may be terminated at any time prior to the Effective Date:

- (a) by agreement in writing executed by each of the parties thereto;
- (b) by DBI at any time if at such time the Corporation is in material breach of any of its representations and warranties or has not complied in all material respects with its covenants in the Acquisition Agreement;
- (c) by the Corporation at any time if at such time DBI is in material breach of any of its representations and warranties or has not complied in all material respects with its covenants in the Acquisition Agreement;
- (d) by DBI at any time on or after August 31, 2003 if, by that date, the mutual conditions and the conditions in favour of DBI have not been satisfied or waived; and
- (e) by the Corporation at any time on or after August 31, 2003 if, by that date, the mutual conditions and the conditions in favour of the Corporation have not been satisfied or waived.

Subject as provided below, the Acquisition Agreement may, at any time and from time to time before and after the Meeting but not later than the Effective Date, be amended by written agreement of the parties thereto (or, in the case of a waiver, by written instrument of the party giving the waiver) without, subject to applicable law, further notice to or authorization on the part of the Shareholders or court approval. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the parties thereto;
- (b) waive any inaccuracies or modify any representation or warranty contained in the Acquisition Agreement or in any document to be delivered pursuant to the Acquisition Agreement; or
- (c) waive compliance with or modify any of the covenants in the Acquisition Agreement or waive or modify performance of any of the obligations of the parties to the Acquisition Agreement.

Notwithstanding the foregoing, the terms of the Plan of Arrangement and the Acquisition Agreement may not be amended in a manner prejudicial to the Shareholders without the approval of the Shareholders given in the same manner as required by law for the approval of the Acquisition or as may be ordered by the Court.

The Acquisition Agreement may be amended in accordance with the Final Order by written agreement of the parties thereto.

Other Terms of the Acquisition Agreement

The Acquisition Agreement sets out the terms and conditions on which the Acquisition will be carried out, the text of the Plan of Arrangement and the conditions precedent to the completion of the Arrangement. The Acquisition Agreement also contains customary representations and warranties by each of the parties concerning corporate, legal and other matters relating to their respective affairs. The Acquisition Agreement also includes covenants by each of the parties to take certain actions in furtherance of the Acquisition, use its reasonable best efforts to satisfy the conditions to the Acquisition and to take, or cause to be taken, all other action and to do, or to cause to be done, all other things necessary, proper or advisable under applicable laws to complete the Acquisition. See Appendix D of this Information Circular for the full text of the Acquisition Agreement.

The transaction costs of the Acquisition will be borne by the Corporation. However, if the Acquisition is successful, the costs will, in effect, be borne by DBI and the Management Shareholders by virtue of their ownership of the Corporation.

Shareholder Approvals

The Interim Order provides that, for the Arrangement forming part of the Acquisition to be implemented, the Acquisition Resolution must be passed, with or without variation, by:

- (a) a 66²/₃% majority of all of the votes cast by Shareholders voting together as a single class at the Meeting in person or by proxy; and
- (b) a simple majority of the votes cast by Minority Shareholders voting at the Meeting in person or by proxy.

DBI has agreed with the Corporation in the Acquisition Agreement that it will vote, and will cause each of its affiliates which hold Common Shares to vote, the Common Shares beneficially owned by it or over which it exercises control or direction in favour of the Acquisition Resolution. In addition, the directors of the Corporation and the Management Shareholders have indicated to the Corporation that they intend to vote their Common Shares in favour of the Acquisition Resolution.

Court Approval

The Arrangement requires Court approval under the OBCA. In order to obtain Court approval, the Notice of Application was filed with the Court on May 15, 2003. A copy of the Notice of Application is reproduced as Appendix F to this Information Circular. Prior to the mailing of this Information Circular, the Corporation obtained the Interim Order providing for the calling and holding of the Meeting and certain other procedural matters. A copy of the Interim Order is attached as Appendix E to this Information Circular.

If the Acquisition Resolution is approved by the Shareholders in the manner required by the Interim Order, the hearing in respect of the Final Order will take place on or about June 25, 2003 at 10:00 a.m. (Toronto time) in the Court located at 393 University Avenue, Toronto, Ontario. At the hearing for the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the Shareholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct and subject to compliance with such terms and conditions, if any, as the Court thinks fit. At the hearing in respect of the Final Order, any Shareholder or any other interested party who wishes to appear or be represented and present evidence or arguments may do so, provided that the Shareholder files a notice of appearance with the Court and otherwise satisfies all other requirements of the Court in the manner set out in the Notice of Application.

The Final Order will constitute a basis for an exemption from certain requirements of the 1933 Act with respect to the REIT Units, Series A issued in connection with the Arrangement.

Regulatory Approvals

Securities Regulatory Approvals

Discretionary exemptions must be obtained from certain Canadian securities regulatory authorities in respect of the issuance of certain securities contemplated by the Acquisition. The Corporation will apply for exemptions from all such authorities. However, there can be no assurance that the necessary exemptions from such authorities will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and DBI.

Notice of the proposed Acquisition will be submitted on behalf of the Corporation and Dundee REIT to the Commission des valeurs mobilières du Québec. Completion of the Acquisition is subject to the approval of the Commission des valeurs mobilières du Québec.

Series B sold by the holder of LP Class B Units, Series I or REIT Units, Series B, which shall be borne by such holder.

Going Private Transaction Requirements

The Arrangement is a “going private transaction” within the meaning of the Policies. The Policies contain rules which are intended to ensure that transactions such as the Arrangement are both substantively and procedurally fair to minority securityholders.

Pursuant to the Policies, a corporation proposing to carry out a going private transaction is required to obtain a valuation from a qualified and independent valuator of the affected securities that are the subject of the transaction and any non-cash consideration being offered in or forming part of the transaction and provide to the holders of its securities a summary of the valuation, subject to certain limited exceptions. The valuation prepared by RBC in connection with the Acquisition is summarized in this Information Circular. See “The Acquisition — RBC Valuations and Fairness Opinion”. The full text of the RBC Valuations and Fairness Opinion is set out in Appendix H of this Information Circular.

To the knowledge of the Corporation, there are no “prior valuations” (as that term is used in the Policies) of the Corporation or any of its material assets or securities which were prepared by or for the Corporation within the 24 months preceding the date of this Information Circular. In addition, the Corporation did not receive any *bona fide* prior offer that relates to the subject matter of or is otherwise relevant to the Arrangement within the 24 months preceding the date on which the proposal for the Arrangement was publicly announced.

The Policies also provide that a going private transaction such as the Arrangement must be approved by not less than a simple majority of the votes cast by the Minority Shareholders.

Competition Act (Canada) Approval

The *Competition Act* (Canada) requires pre-merger notification to the Commissioner of Competition (the “Commissioner”) for transactions that exceed certain financial thresholds and, in the case of share acquisitions, that exceed an additional voting interest threshold. If a transaction is subject to pre-merger notification, a pre-merger filing must be submitted to the Commissioner and a waiting period of either 14 or 42 days must expire or be waived by the Commissioner before the proposed transaction may be completed. The Commissioner’s review of the transaction may extend beyond the statutory waiting period depending upon the complexity of the transaction.

Upon request, the Commissioner may issue an advance ruling certificate (“ARC”) where he is satisfied that he would not have sufficient grounds on which to apply to the Competition Tribunal under the merger provisions of the *Competition Act* (Canada). If the Commissioner issues an ARC in respect of a proposed transaction, that transaction is exempt from the pre-merger notification provisions. Alternatively, the Commissioner may issue a “no action” letter following a pre-merger notification or an application for an ARC, indicating that he is of the view that grounds do not then exist to initiate proceedings before the Competition Tribunal under the merger provisions of the *Competition Act* (Canada) with respect to the proposed transaction, while preserving for a period of three years following completion of the proposed transaction his authority to initiate proceedings should circumstances change.

The Acquisition requires pre-merger notification to the Commissioner and would be a “merger” for the purposes of the merger provisions of the *Competition Act* (Canada). Accordingly, the Corporation will file a request for an ARC with respect to the Acquisition or, in the event that the Commissioner of Competition will not issue an ARC, a no action letter pursuant to which the Commissioner of Competition waives the requirement to make a statutory pre-merger notification filing. However, there can be no assurance that either an ARC or a no action letter will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and DBI.

Stock Exchange Listing

Dundee REIT has applied to list the REIT Units, Series A on the TSX. The TSX has conditionally approved the listing of the REIT Units, Series A, subject to compliance with the customary requirements of the TSX, which are expected to be met on the Effective Date or as soon as reasonably practicable thereafter.

Following the Effective Date, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders and the Common Shares will no longer be listed on the TSX.

Third Party Notices and Approvals

Certain of the transactions contemplated by the Acquisition require the consent of lenders, co-owners and other third parties. In some cases, only notice is required to be sent to these parties. Prior to the Effective Date, the Corporation will send notices to and request the consent of various third parties with respect to the Acquisition. However, there can be no assurance that the necessary consents from these third parties will be obtained on a timely basis or on terms and conditions satisfactory to the Corporation and DBI. Failure to obtain these consents will give DBI or the Corporation the right not to complete the Acquisition.

PROCEDURE FOR SURRENDER OF COMMON SHARES

If your Common Shares are held through an Intermediary such as an investment dealer, bank or trust company, you should follow the instructions of your Intermediary regarding how to deliver those Common Shares.

On the Effective Date, the register for Common Shares will be closed and registered Public Shareholders (other than those who have properly exercised their right to dissent and who are ultimately entitled to be paid the fair value of their Common Shares) shall be deemed to be the holders of the REIT Units, Series A to which they are entitled pursuant to the Arrangement and DBI, certain of its affiliates and the Management Shareholders shall become holders of the securities to which they are entitled pursuant to the Arrangement. In each case, such Shareholders shall be deemed to be the holders of the relevant securities without regard to the date or dates on which certificates representing Common Shares are physically surrendered. See “The Acquisition Agreement and the Plan of the Arrangement”.

Enclosed with this Information Circular is a Letter of Transmittal which is being delivered to registered Shareholders. The Letter of Transmittal, when properly completed and duly executed and returned together with a certificate or certificates for Common Shares and all other required documents, will enable each registered Shareholder to obtain the cash, if applicable, and the certificates for the REIT Units, Series A or other securities to which they are entitled. The Letter of Transmittal, certificates for Common Shares and all other required documents must be returned by registered Shareholders to the Depositary in accordance with the instructions set out in the Letter of Transmittal.

Transmission by mail of a certificate for Common Shares and a related Letter of Transmittal is at the risk of the registered Shareholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

A cheque, if applicable, and certificates representing the appropriate number of REIT Units, Series A or other securities issuable to a former registered Shareholder who has complied with the procedures set out above and in the Letter of Transmittal will, as soon as practicable after the Effective Date:

- (a) be forwarded to the former registered Shareholder at the address specified in the Letter of Transmittal by insured first class mail; or
- (b) be made available for pick up by the former registered Shareholder as requested by the former registered Shareholder in the Letter of Transmittal at the offices of the Depositary at the address set out on the last page of the Letter of Transmittal.

Additional copies of the Letter of Transmittal will be sent to any Shareholder (other than Shareholders who have properly exercised their right to dissent and who are ultimately entitled to be paid the fair value of their Common Shares) of record on the Effective Date who did not receive a Letter of Transmittal. In addition, further copies of the Letter of Transmittal will be available at the offices of the Depository in Toronto.

If a certificate representing Common Shares has been lost, apparently destroyed, wrongfully taken or mislaid, the registered Shareholder should immediately contact Computershare Trust Company of Canada, the transfer agent and registrar of the Corporation, in writing, so that arrangements can be made to issue a replacement share certificate to the registered Shareholder upon the registered Shareholder satisfying such reasonable requirements as may be imposed by the Corporation in connection with the issuance of a replacement certificate.

If certificates formerly representing Common Shares have not been surrendered to the Depository on or before the sixth anniversary of the Effective Date, those certificates shall cease to represent a right or claim of any kind or nature and the right of the Public Shareholder previously represented thereby to receive cash or REIT Units, Series A shall be deemed to be surrendered to Holding together with all interest or distributions thereon held for such holder.

Treatment of Share Based Compensation Plans in Connection with the Arrangement

Stock Options

Options to acquire 1,870,013 Common Shares are outstanding as of May 20, 2003 under the share option plan comprising part of the share incentive plan of the Corporation. The Board of Directors has resolved to amend the share option plan, subject to the receipt of all necessary regulatory approvals, to permit all persons holding Options who may do so under applicable law to exercise their Options on an accelerated vesting basis, effective at 12:01 a.m. on the Business Day prior to the Effective Date. The Board of Directors has further resolved to amend the terms of the share option plan to permit such Option holders to, in lieu of exercising the Options, require the Corporation to pay to the holder, in respect of each Common Share under option, the amount by which \$24 exceeds the exercise price per Common Share under such Option, such amendment of the share option plan to be effective at 12:01 a.m. on the Business Day prior to the Effective Date.

In accordance with the Acquisition Agreement, the Board of Directors has resolved to encourage all persons holding Options to exercise or surrender their Options prior to the Effective Time. The Corporation has agreed in the Acquisition Agreement, subject to the receipt of any necessary regulatory approvals, to arrange for all Common Shares that are fully paid upon the valid exercise of Options to be distributed to those persons entitled thereto so as to be able to be acquired by Holding pursuant to the Arrangement.

If the share option plan is amended as contemplated above, certain of the Management Shareholders have advised the Corporation that they intend to elect to exercise Options to acquire 721,727 Common Shares.

Bonus Shares

The Board of Directors of the Corporation has approved the allocation of an aggregate of 56,000 Common Shares to certain senior officers of the Corporation and its subsidiaries under the share bonus plan comprising part of the share incentive plan of the Corporation. Common Shares were to be issued to these individuals annually in four equal portions over a four year period, provided that these individuals continued to be officers of the Corporation or its subsidiaries on each of the issuance dates and subject to certain other conditions established by the Board of Directors at the time of allocating these Common Shares. No Common Shares have been issued under the share bonus plan. In connection with the Acquisition, the Board of Directors has resolved, subject to the receipt of all necessary regulatory approvals, if any, to accelerate the vesting of the entitlement to receive Common Shares under the share

bonus plan and, in lieu of the delivery of such Common Shares, to cause the Corporation to pay \$24 to each officer of the Corporation and its subsidiaries as of the Effective Time, in respect of each Common Share to which such officer is entitled.

Resale of REIT Units

Canada

The REIT Units, Series A that Shareholders will receive pursuant to the Arrangement will be issued in reliance on exemptions from the prospectus and registration requirements of applicable Canadian securities legislation or on discretionary exemptions from such requirements to be obtained from applicable securities regulatory authorities in Canada. The REIT Units, Series A will be “freely tradeable”, subject to any “control block” restrictions on dispositions and subject to customary qualifications imposed under applicable securities laws of the provinces of Canada relating to the resale of such securities.

United States

The REIT Units, Series A to be issued pursuant to the Arrangement have not been registered under the 1933 Act in reliance upon an exemption from the registration requirements of the 1933 Act. Any of these securities issued to a person who is not an “affiliate” of the Corporation, Holding or Dundee REIT before or after the Arrangement for purposes of United States federal securities laws may be resold without restriction under the 1933 Act. Persons who were affiliates of the Corporation prior to the Arrangement or who will be affiliates of the Corporation, Holding or Dundee REIT after the Arrangement may not re-sell these securities in the United States in the absence of registration or an available exemption from the registration requirements of the 1933 Act. For the purposes of the 1933 Act, an “affiliate” of the Corporation, Holding or Dundee REIT is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation, Holding or Dundee REIT, as the case may be.

Other Jurisdictions

Shareholders residing outside of Canada or the United States are urged to consult their legal advisors to determine the extent of all of the provisions and restrictions applicable to the resale of REIT Units, Series A in these jurisdictions.

Timing

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions of the Acquisition are satisfied or waived, the Corporation will apply to the Court for the Final Order approving the Arrangement. If the Final Order is obtained on June 25, 2003 in form and substance satisfactory to the Corporation and all other conditions specified are satisfied or waived, the Corporation expects the Effective Date to be June 30, 2003.

INFORMATION CONCERNING DUNDEE REIT

Overview

Dundee REIT is an unincorporated, open-ended real estate investment trust created by the Declaration of Trust and governed by the laws of the Province of Ontario. See “Declaration of Trust and Description of REIT Units.” The head office of Dundee REIT is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1. Although Dundee REIT is expected to qualify on Closing as a “mutual fund trust” as defined in the Tax Act, Dundee REIT will not be a “mutual fund” as defined in applicable securities legislation.

Objectives of Dundee REIT

The objectives of Dundee REIT are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, on a Canadian income tax deferred basis, from investments in the RP Properties; and (ii) to increase REIT Unit value through the effective management of the RP Properties and the acquisition of additional commercial revenue producing office, industrial or retail properties or interests therein.

Strategy of Dundee REIT

The strategy of Dundee REIT is to provide Unitholders with a stable and growing return on their investment through participation in distributions of cash flow from a revenue producing real property portfolio that is diversified by geographic location, asset type and asset class.

Dundee REIT will seek to identify opportunities within its real property portfolio to invest in existing properties to enhance their cash flow and revenue return. Dundee REIT will also seek to acquire additional real properties at a discount to replacement cost that will enhance the overall quality and attributes of the real property portfolio. The objectives of Dundee REIT's acquisition program will be to enhance cash flow growth on a per unit basis, improve the overall quality of its real property portfolio, increase the diversification of the real property portfolio, improve the stability of the cash flow and increase the liquidity of the REIT Units, Series A.

Future real property acquisitions will be subject to specific investment guidelines and the operation of Dundee REIT and its subsidiaries will be subject to specific operating policies, as described elsewhere in this Information Circular. The Trustees will be responsible for the general control, direction and management of Dundee REIT. All of the property management business currently carried on by the Corporation, including employees, systems and third party property management contracts, will be transferred to Dundee Management LP, a limited partnership that will be jointly owned by Dundee Properties LP and the Corporation. This unique structure will provide Dundee REIT with a 50% ownership interest in the property management business that will manage the RP Properties as well as derive revenue and profits from existing and future third party management contracts.

Dundee REIT believes that real estate is an operating business that requires active management in order to enhance value, increase yield and reduce risk to investors. Dundee Management LP will be dedicated to increasing rental income from increased occupancy rates and higher rental rates. The emphasis will be on renewing existing tenants so as to reduce tenant improvements and leasing costs and to maintain current occupancy without interruption. In addition, the focus will continue to be on providing affordable business premises for tenants, which will require keen attention to providing good value and service through spending on operating costs.

Dundee REIT will finance its real properties and activities with a combination of long term fixed rate debt financing and drawings under lines of credit. To the extent that the Trustees determine to seek additional capital, Dundee REIT may raise such capital through public offerings of equity or debt.

Pro Forma Capitalization of Dundee REIT

The following table sets forth the *pro forma* capitalization of Dundee REIT as at December 31, 2002 assuming the completion of the Acquisition and should be read in conjunction with the unaudited

pro forma condensed consolidated financial statements included in Appendix G to this Information Circular.

	<u>As at December 31, 2002 (Pro Forma)</u> (In thousands)
Indebtedness:	
Mortgages and long-term debt	\$ 504,159
Unitholders' Equity:	<u>341,741</u>
	<u>\$ 845,900</u>

Dundee REIT anticipates that it will make arrangements with a Canadian financial institution following the completion of the Acquisition to establish a credit facility to be used for general working capital purposes.

Selected Financial Information of the Commercial Real Estate Division of the Corporation

The following selected financial information should be read with "Management's Discussion and Analysis" and the audited combined financial statements of the commercial real estate division of the Corporation and accompanying notes, all as included in Appendix G to this Information Circular.

The statement of net income information and balance sheet information set forth in the following tables has been prepared in accordance with Canadian GAAP and has been derived from the audited combined financial statements referred to above audited by PricewaterhouseCoopers LLP for 2002, 2001 and 2000.

	<u>Years Ended December 31</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(In thousands)		
Statement of Net Income Information:			
Revenue properties	\$146,682	\$135,654	\$126,181
Property management	853	1,910	1,751
Interest and other income	<u>571</u>	<u>190</u>	<u>518</u>
Total revenue	<u>\$148,106</u>	<u>\$137,754</u>	<u>\$128,450</u>
Revenue properties expenses	\$ 73,187	\$ 65,612	\$ 60,690
Property management expenses	<u>421</u>	<u>187</u>	<u>489</u>
Total expenses	<u>\$ 73,608</u>	<u>\$ 65,799</u>	<u>\$ 61,179</u>
Net income	<u>\$ 12,883</u>	<u>\$ 14,578</u>	<u>\$ 23,746</u>
Reconciliation of Net Income to EBITDA(1):			
Net income	\$ 12,883	\$ 14,578	\$ 23,746
Add back:			
Interest expense	35,602	32,682	31,209
Depreciation and amortization	13,072	10,645	9,162
Income taxes	<u>7,388</u>	<u>7,340</u>	<u>(2,080)</u>
EBITDA(1)	<u>\$ 68,885</u>	<u>\$ 65,345</u>	<u>\$ 62,037</u>
Balance Sheet Information:			
Revenue properties	\$840,755	\$831,962	
Mortgages and other indebtedness	504,159	484,404	

	Years Ended December 31		
	2002	2001	2000
	(In thousands)		
Selected Financial Ratios:			
EBITDA(1) coverage of interest expense	1.93	2.00	1.99
Percentage of floating rate debt.....	5%	12%	
Debt to Gross Book Value	55.4%	54.6%	

Note:

- (1) EBITDA is defined as net earnings before extraordinary items, income taxes, interest, depreciation and amortization. EBITDA excludes income taxes and interest, both of which are charges that require cash settlement. EBITDA is not a recognized measure for financial statement presentation under Canadian generally accepted accounting principles and does not have a standardized meaning and therefore may not be comparable to similar measures used by other companies. The Corporation believes EBITDA is a reasonable measure of operating performance because EBITDA is a financial metric used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt.

Revenue Producing Properties Portfolio

Dundee REIT will indirectly own, through Dundee Properties LP, an interest in the RP Properties. As at March 31, 2003, the RP Properties consisted of direct and indirect interests in approximately 11.1 million square feet of revenue producing commercial office, industrial and retail real estate assets. The RP Properties represent a well balanced portfolio of commercial real estate assets, both from the standpoint of geographic diversification and mix of asset type, which consists of mid-sized suburban and downtown office buildings, warehouse industrial buildings and regional, mid-sized community and neighbourhood retail centres located in urban markets. As at March 31, 2003, the RP Properties enjoyed an average occupancy rate of approximately 94.0%.

Office Properties

The RP Properties office portfolio is comprised of interests in 39 office properties (52 office buildings). These office properties consist of a total of approximately 4.1 million square feet, of which Dundee REIT's interest will be approximately 3.6 million square feet. All of the 39 office properties in the RP Properties portfolio are located in Canada. The office properties in the RP Properties portfolio are currently located in Montreal, Quebec; Ottawa and Toronto, Ontario; Saskatoon, Saskatchewan; Edmonton and Calgary, Alberta and Vancouver, British Columbia. A total of 34 office properties, representing approximately 79.8% of the office gross leasing area of the RP Properties portfolio will be wholly-owned by Dundee Properties LP. As at March 31, 2003, the office properties of the RP Properties portfolio enjoyed an average occupancy rate of approximately 93.8%.

The table below sets forth the office properties in the RP Properties portfolio. Included in this table in respect of each office property is information regarding the percentage of ownership of the office property that will be held by Dundee REIT as of the Effective Time of the Arrangement, the total gross leasable area of the office property, Dundee REIT's share of the total gross leasable area, the year in which the office property was acquired by the Corporation, the occupancy rate as at March 31, 2003 and the name of

any significant tenants (as determined by whether those tenants occupy over 20,000 square feet of the office property on a 100% basis).

<u>Property</u>	<u>Ownership</u>	<u>Total GLA in Square Feet</u>	<u>Owned Share of Total GLA in Square Feet</u>	<u>Year Acquired</u>	<u>Occupied/ Committed as at March 31, 2003</u>	<u>Occupancy over 20,000 sq. ft. (on a 100% basis)</u>
7400 Boulevard les Galeries d'Anjou, Anjou	100%	116,308	116,308	1998	94.7%	
8250 Boulevard Décarie, Montréal	100%	83,816	83,816	1998	93.9%	
3-243 Place Frontenac, Pointe-Claire	100%	67,254	67,254	1999	95.5%	
7450 Boulevard les Galeries d'Anjou, Anjou	100%	66,476	66,476	1998	95.8%	
953-981 Rue St-Jean, Pointe Claire	100%	63,149	63,149	1999	91.8%	
8200 Boulevard Décarie, Montréal	100%	60,351	60,351	1998	87.1%	
1 Place du Commerce, Brossard	100%	43,077	43,077	1999	89.1%	
768-790 Boulevard Décarie, St-Laurent ...	100%	35,776	35,776	1998	69.9%	
2 Place du Commerce, Brossard	100%	35,598	35,598	1999	100.0%	
9045 Chemin de la Côte de Liesse, Dorval	100%	31,348	31,348	1999	95.4%	
8 Place du Commerce, Brossard	100%	29,923	29,923	1999	95.3%	
3 Place du Commerce, Brossard	100%	27,901	27,901	1999	92.5%	
3669-3681 Boulevard des Sources, Dollard des Ormeaux	100%	24,912	24,912	1998	75.6%	
5 Place du Commerce, Brossard	100%	19,288	19,288	1999	85.8%	
9675 Chemin de la Côte de Liesse, Dorval	100%	18,294	18,294	1999	34.2%	
9545 Chemin de la Côte de Liesse, Dorval	100%	18,572	18,572	1999	100.0%	
985 Boulevard St-Jean, Pointe-Claire	100%	11,800	11,800	1999	100.0%	
Total Quebec Office	100%	753,843	753,843		90.5%	
110 O'Connor Street, Ottawa	100%	189,173	189,173	1998	100.0%	Bell Canada
222-230 Queen Street (Capitol Square), Ottawa	84%	204,196	170,790	1998-2001	100.0%	Government of Canada; Canada Foundation for Innovation
25 Fitzgerald Road, Nepean	100%	120,000	120,000	1998	100.0%	Government of Canada
1145 Hunt Club Road, Ottawa	100%	89,210	89,210	1998	100.0%	
1 Antares Drive, Ottawa	100%	71,481	71,481	1999	64.8%	
21 Fitzgerald Drive, Nepean	100%	41,706	41,706	1998	100.0%	Government of Canada
Total Ottawa Office	95%	715,766	682,360		96.3%	
Woodbine Steeles Corporate Centre, Markham	100%	290,505	290,505	1997	93.1%	CGI Groupe; Markham Executive Suites

Property	Ownership	Total GLA in Square Feet	Owned Share of Total GLA in Square Feet	Year Acquired	Occupied/ Committed as at March 31, 2003	Occupancy over 20,000 sq. ft. (on a 100% basis)
Centennial Centre, Toronto	100%	236,836	236,836	1997/2001	92.4%	HMV Canada
State Street Financial Centre, Toronto	50%	413,934	206,967	1999	100.0%	International Financial Data Services; State Street Trust Company Canada; Dundee Realty Corporation
151 Bloor Street West, Toronto	100%	170,686	170,686	1998	96.4%	Government of Ontario
2 St. Clair Avenue East, Toronto	100%	153,430	153,430	1998	96.4%	S.I.C. Management
21 St. Clair Avenue East, Toronto	100%	109,190	109,190	1998	71.8%	
56 Wellesley Street West, Toronto	50%	215,281	107,641	1998	98.3%	Government of Ontario; International Academy of Design
5 Park Home Avenue, Toronto	100%	89,434	89,434	1999	92.8%	Government of Ontario
110 Sheppard Avenue East, Toronto	50%	145,146	72,573	1997	100.0%	Equifax Canada; Eckler Partners
2400-2430 Meadowpine Boulevard, Mississauga	100%	59,766	59,766	1998	98.4%	
70 Richmond Street East, Toronto	100%	34,142	34,142	1997	96.2%	Magnetic North
Total Toronto Office	80%	1,918,350	1,531,170		94.1%	
Preston Centre, Saskatoon	100%	57,595	57,595	1996	100.0%	
Total Saskatchewan Office	100%	57,595	57,595		100.0%	
EPCOR Centre, Edmonton	90%	192,029	172,826	1998	100.0%	EPCOR Utilities
Total Edmonton Office ..	90%	192,029	172,826		100.0%	
Roslyn Building, Calgary	100%	128,046	128,046	2001	93.0%	Ensign Resource Service Group
Kensington House, Calgary	100%	76,648	76,648	1998	100.0%	IBI Leaseholds
Total Calgary Office	100%	204,694	204,694		95.6%	
Station Tower, Surrey ...	100%	213,751	213,751	1998	86.9%	Government of British Columbia
Total Vancouver Office ..	100%	213,751	213,751		86.9%	
Total Office	89%	4,056,028	3,616,238		93.8%	

A description of the office properties in the RP Properties portfolio in which the book value of Dundee REIT's interest will be greater than \$5,000,000 is set out below.

Montréal, Quebec

7400 Boulevard les Galeries D'Anjou, Anjou — Dundee REIT will own 100% of this six storey Class A suburban office building located in the eastern Montréal suburb of Anjou, Québec, opposite a 1,000,000 square foot super-regional shopping centre. This 116,308 square foot multi-tenant office building was completed in 1987.

7450 Boulevard les Galeries D'Anjou, Anjou — Dundee REIT will own 100% of this five storey Class A suburban office building located in the eastern Montréal suburb of Anjou, Québec, adjacent to

7400 Boulevard les Galeries D'Anjou. This 66,476 square foot multi-tenant building was completed in 1985.

8200 Boulevard Décarie, Montréal — Dundee REIT will own 100% of this three storey Class A suburban office building located along the Décarie Expressway in Montréal, Québec. This 60,351 square foot multi-tenant building was completed in 1982.

8250 Boulevard Décarie, Montréal — Dundee REIT will own 100% of this four storey Class A suburban office building located along the Décarie Expressway in Montréal, Québec. This 83,816 square foot multi-tenant building was completed in 1988.

3-243 Place Frontenac, Pointe Claire — Dundee REIT will own 100% of this 67,254 square foot property consisting of a cluster of fourteen single storey suburban office buildings located on the east side of St-Jean Boulevard between Brunswick Boulevard and Avenue Labrosse in the West Island suburb of Pointe Claire, just north of Highway 40. The buildings were completed in 1976.

Ottawa, Ontario

1 Antares Drive, Ottawa — Dundee REIT will own 100% of this five storey Class A suburban office building situated close to Highway 16 in the south central part Ottawa, Ontario and just west of Macdonald-Cartier International Airport. This 71,481 square foot building was completed in 1990.

110 O'Connor Street, Ottawa — Dundee REIT will own 100% of this 14 storey Class B office building located in the central business district of Ottawa, Ontario, just south of Parliament Hill. Completed in 1970, the building encompasses 189,173 square feet of office space, almost all of which is under long term lease to Bell Canada, for whom the building was completely renovated in 1998 and 1999.

222-230 Queen Street (Capitol Square), Ottawa — Dundee REIT will own 83.6% of this 15 storey, 204,196 square foot, Class B office tower located in the central business district of Ottawa, Ontario, just south of Parliament Hill. The building was constructed in 1972 and substantially renovated in 1991. In 2001, an obsolete movie theatre was redeveloped into office space and fully leased to the Canada Foundation for Innovation.

21 Fitzgerald Drive, Ottawa — Dundee REIT will own 100% of this two storey single-tenant Class A suburban office building located in the west end of Ottawa (formerly Nepean), Ontario. The 41,706 square foot building, constructed in 1986, is under a long term lease to the Government of Canada.

25 Fitzgerald Drive, Ottawa — Dundee REIT will own 100% of this five storey single-tenant Class A suburban office building located in the west end of Ottawa (formerly Nepean), Ontario. The 120,000 square foot building, constructed in 1998, is under a long term lease to the Government of Canada.

1145 Hunt Club Road, Ottawa — Dundee REIT will own 100% of this 89,210 square foot, six storey Class A suburban office building. The building was completed in 1990 and is located on Hunt Club Road, between Bank Street and the Airport Parkway, in Ottawa, Ontario.

Toronto, Ontario

State Street Financial Centre, Toronto — Dundee REIT will own a 50% interest in this 17 storey Class A office complex located on Adelaide Street East, just one block east of Yonge Street. The property features three levels of underground parking. The complex, which encompasses 413,934 square feet of office and ground floor retail space, was originally constructed in 1959. A significant retrofit and modernization of the complex was completed in late 2001. Substantially all of the complex is leased to three tenants: State Street Trust Company Canada, International Financial Data Services and the Corporation. DST Canada Inc. owns the remaining 50% of the complex.

5 Park Home Avenue, Toronto — Dundee REIT will own 100% of this six storey Class A office complex with retail concourse at grade, located at the southwest corner of Yonge Street and Park Home Avenue in an area known as the North York City Centre. Constructed in 1987, the building encompasses

89,434 square feet of office and retail space and enjoys direct indoor access to the City Centre subway station on the Yonge subway line. Dundee Properties LP will be a ground sub-tenant of this property under a ground sub-lease having a term (including renewals) expiring on December 9, 2083.

Woodbine Steeles Corporate Centre, Markham — Dundee REIT will own 100% of this office complex located at 7030-7100 Woodbine Avenue on the northwest corner of Woodbine Avenue and Steeles Avenue East, immediately east of Highway 404 in Markham, a northern suburb of Toronto, Ontario. The complex is comprised of three low and mid-rise Class A and B office buildings, completed between 1982 and 1987 and totalling 290,505 square feet. The complex features ample surface and covered parking. Two neighbouring industrial buildings (55 and 85 Idema Road), constructed in 1971 and totalling 65,325 square feet, form part of the complex. The combined site is zoned to permit the development of an additional 240,000 square feet of Class A office space (provided the industrial buildings are demolished and sufficient parking is provided).

Centennial Centre, Toronto — Dundee REIT will own 100% of this 236,836 square foot suburban office complex located at 5395-5409 Eglinton Avenue West, just south of Pearson International Airport in Toronto, Ontario. The complex, built in 1985, is comprised of eight low-rise buildings located on approximately 11 acres of land with building sizes ranging from 17,000 to 46,000 square feet. The complex enjoys excellent access from both the airport and downtown Toronto.

151 Bloor Street West, Toronto — Dundee REIT will own 100% of this 12 storey Class B office building located just east of Avenue Road in Toronto, Ontario. The building is situated within the high profile Yorkville shopping district, north of the Toronto financial district and in close proximity to the subway system and other modes of public transit. Constructed in 1961 and renovated in 1990, the building encompasses 170,686 square feet of office space with high quality retail tenants at grade level. The tenant mix includes a combination of private sector and government tenants. Dundee Properties LP will be a ground sub-tenant of this property under a ground sub-lease having a term (including renewals) expiring on June 30, 2060.

2 St. Clair Avenue East, Toronto — Dundee REIT will own 100% of this 14 storey Class A office building located on the northeast corner of St. Clair Avenue and Yonge Street in Toronto, Ontario. The building was completed in 1977 and encompasses 153,430 square feet of office, concourse retail and grade level retail space with internal access to St. Clair station on the Yonge subway line. A small portion of the land on which this property is situated is held by means of a long-term leasehold interest expiring September 30, 2076. The lobby of this asset underwent a renovation in 2001 which included a new floor and ceiling, and new lighting and elevator cab treatments.

21 St. Clair Avenue East, Toronto — Dundee REIT will own 100% of this 14 storey Class B office building located just east of the southeast corner of St. Clair Avenue East and Yonge Street in Toronto, Ontario, adjacent to the St. Clair station on the Yonge subway line. The building was completed in 1970 and underwent extensive lobby renovations in late 2001. It is comprised of 109,190 square feet of office and retail space.

56 Wellesley Street West, Toronto — Dundee REIT will own a 50% interest in this 17 storey, 215,281 square foot, Class B office building located at the northwest corner of Wellesley Street West and Bay Street in Toronto, Ontario. The building, which was built in 1972 and renovated in 1991, offers affordable office premises in an area favoured by government and institutional tenants. It features retail space at grade level and is located one block west of Wellesley station on the Yonge subway line.

110 Sheppard Avenue East, Toronto — Dundee REIT will own a 50% interest in this 145,146 square foot ten storey Class A office building. The building is located one block east of the Sheppard station on the Yonge subway line and along the Sheppard subway line. Constructed in 1993, the building features surface parking and three levels of underground parking.

Saskatoon, Saskatchewan

Preston Centre, Saskatoon — Dundee REIT will own 100% of Preston Centre, a three storey retail and office building comprised of 57,595 square feet and located at 2100 and 2102 8th Street East. The building, which was completed in 1988, features both surface and underground parking, and is located along a major retail corridor in Saskatoon, Saskatchewan.

Edmonton, Alberta

EPCOR Centre, Edmonton — Dundee REIT will own a 90% interest in this 20 storey Class A office building located at 10065 Jasper Avenue in the central financial district of Edmonton, Alberta. The building, which comprises 192,029 square feet, was completed in 1975 and underwent significant upgrades between 1995 and 2001, including the conversion of a former theatre space on the second floor to office space. EPCOR Utilities occupies all of the office space in the building where it has established its head-office location as a model of energy efficiency for which it received an international award in 1997 and a B.O.M.A. Association environmental award in 1998. Floors 2 and 5 through 20 and the lower concourse level comprise office space while the ground floor is dedicated to retail space. The building is served by two levels of underground parking and is connected to other downtown office buildings and the Edmonton LRT system by an underground walkway network.

Calgary, Alberta

Roslyn Building, Calgary — Dundee REIT will own 100% of this 10 storey Class B office building located in downtown Calgary, Alberta. The property features 33 underground parking spaces and is connected to Calgary's Plus 15 system. The building was completed in 1966 and encompasses 128,046 square feet of office space as well as some ground floor retail space.

Kensington House, Calgary — Dundee REIT will own 100% of this five storey Class A office building located at 1167 Kensington Crescent, immediately northwest of the central business district of Calgary, Alberta, in a neighbourhood populated by distinctive retail stores, restaurants, and low-rise office and medical buildings. The building was completed in 1982 and comprises 76,648 square feet of office and retail space, as well as three levels of underground parking.

Vancouver, British Columbia

Station Tower, Surrey — Dundee REIT will own 100% of this 18 storey Class A office building located at 13401 108th Avenue in Surrey, British Columbia, the second most populous of the municipalities that comprise the Greater Vancouver Regional District. The office building, completed in 1994, comprises 213,751 square feet of office and ground floor retail space. There are four levels of underground parking. Station Tower has direct covered access to the Gateway station on the SkyTrain rapid rail transit system and is situated next to a park with extensive land and water features. A development agreement governs the use and maintenance of the park, which is managed by the Corporation. Station Tower won the BOMA Canada Office Building of the Year award in 1998/1999 in the 100,000 to 249,999 square foot category.

Industrial Properties

The RP Properties industrial portfolio is comprised of interests in 96 industrial properties (110 industrial buildings) located in Canada. These industrial properties (including the redevelopment asset referred to below) consist of a total of approximately 6.7 million square feet, of which Dundee REIT's interest will be approximately 6.1 million square feet. The industrial properties in the RP Properties portfolio are currently located in urban centres in the provinces of Quebec, Ontario and Alberta. A total of 92 industrial properties, representing approximately 96.9% of the industrial gross leasing area of the RP Properties portfolio will be wholly-owned by Dundee Properties LP. As at March 31, 2003, the industrial properties of the RP Properties portfolio, excluding redevelopment assets, enjoyed an average occupancy rate of approximately 94.4%.

The table below sets forth the industrial properties in the RP Properties portfolio. Included in this table in respect of each industrial property is information regarding the percentage of ownership of the industrial property that will be held by Dundee REIT as of the Effective Time of the Arrangement, the total gross leasable area of the industrial property, Dundee REIT's share of the total gross leasable area, the year in which the industrial property was acquired by the Corporation, the occupancy rate as at March 31, 2003 and the name of any significant tenants (as determined by whether those tenants occupy over 20,000 square feet of the industrial property on a 100% basis).

<u>Property</u>	<u>Ownership</u>	<u>Total GLA in Square Feet</u>	<u>Owned Share of Total GLA in Square Feet</u>	<u>Year Acquired</u>	<u>Occupied/ Committed as at March 31, 2003</u>	<u>Occupancy over 20,000 sq. ft. (on a 100% basis)</u>
3901 Rue Jarry Est, Montréal	100%	174,013	174,013	1999	100.0%	Reitmans (Canada)
105-125 Montee de Liesse, St-Laurent	100%	159,848	159,848	1998	24.1%	Paktek Packaging
900-950 Boulevard St-Martin, Laval	100%	142,693	142,693	1998	100.0%	Comark; Quebecor (Messageries Dynamiques)
375-455 Rue Deslauriers, St-Laurent	100%	138,838	138,838	1999	96.3%	Komet Manufacturers; Hostman Steinberg
295-371 Rue Deslauriers, St-Laurent	100%	134,673	134,673	1999	95.5%	Essilor Canada
457-491 and 495-533 Rue Deslauriers, St-Laurent ...	100%	134,561	134,561	1999	100.0%	Va-Yola Garments; Rideau Orders, Decorations, and Medals
105-145 Rue Deslauriers, St-Laurent	100%	116,611	116,611	1999	100.0%	Centura Quebec
2000 Rue Halpern (Michelin Warehouse), St-Laurent	20%	527,000	105,400	1998	100.0%	Metro Canada Logistics
350-360 Rue Lebeau, St-Laurent	100%	73,800	73,800	1999	100.0%	Socadis
290-316 Rue Benjamin- Hudon & 165 Rue Deslauriers, St-Laurent ...	100%	67,035	67,035	1999	100.0%	La Corporation des Editions Fides
555 and 604-678 Rue Deslauriers, St-Laurent ...	100%	66,841	66,841	1999	91.0%	
9601-9665 Chemin de la Côte de Liesse, Dorval ...	100%	66,542	66,542	1999	100.0%	
9551-9599 Chemin de la Côte de Liesse, Dorval ...	100%	64,493	64,493	1999	100.0%	Signature Textiles
10113-10161 Chemin de la Côte de Liesse, Dorval ...	100%	63,177	63,177	1999	94.4%	
10205-10255 Chemin de la Côte de Liesse, Dorval ...	100%	62,483	62,483	1999	57.7%	
2789-2855 Boulevard Le Corbusier, Laval	100%	59,370	59,370	1998	84.6%	
4575-4605 Rue Hickmore, St-Laurent	100%	57,702	57,702	1998	72.0%	CAE Electronics
300 Avenue Labrosse, Pointe-Claire	100%	55,333	55,333	1999	100.0%	Flyght Canada
9501-9521 Chemin de la Côte de Liesse, Dorval ...	100%	55,090	55,090	1999	100.0%	
295-341 Rue Benjamin- Hudon & 255 Rue Deslauriers, St-Laurent ...	100%	53,543	53,543	1999	96.3%	
9701-9745 Chemin de la Côte de Liesse, Dorval ...	100%	52,660	52,660	1999	100.0%	
3961-4015 Avenue Robert, Montréal	100%	52,447	52,447	1999	98.2%	
700-740 Renaud, 9125 and 9135 Cote de Liesse, Dorval	100%	51,181	51,181	1999	100.0%	

<u>Property</u>	<u>Ownership</u>	<u>Total GLA in Square Feet</u>	<u>Owned Share of Total GLA in Square Feet</u>	<u>Year Acquired</u>	<u>Occupied/ Committed as at March 31, 2003</u>	<u>Occupancy over 20,000 sq. ft. (on a 100% basis)</u>
9 Place du Commerce, Brossard	100%	50,600	50,600	1999	66.4%	
601-623 Rue Le Breton, Longueuil	100%	48,788	48,788	1999	89.4%	Bel Gam
601-631 Rue Bériault, Longueuil	100%	48,709	48,709	1999	100.0%	
2115-2147 Rue de la Provence, Longueuil	100%	48,174	48,174	1999	58.5%	
605-607 Rue Deslauriers, St-Laurent	100%	43,709	43,709	1999	100.0%	Expo TCD
25 Rue de Lauzon, Boucherville	100%	43,452	43,452	1998	86.2%	
11 Place du Commerce, Brossard	100%	41,155	41,155	1999	62.4%	
500-510 Rue Deslauriers, St-Laurent	100%	39,390	39,390	1999	100.0%	Deliska Traditions
220-230 Rue Lebeau, St-Laurent	100%	36,000	36,000	1999	100.0%	
470-472 Rue Deslauriers, St-Laurent	100%	35,559	35,559	1999	100.0%	Presentoirs de Metal AWW
9335-9395 Chemin de la Côte de Liesse, Dorval ...	100%	31,801	31,801	1999	100.0%	
9405-9475 Chemin de la Côte de Liesse, Dorval ...	100%	31,321	31,321	1999	89.8%	
7 Place du Commerce, Brossard	100%	31,500	31,500	1999	100.0%	
742 Avenue Renaud, Dorval	100%	30,381	30,381	1999	100.0%	
35 Rue de Lauzon, Boucherville	100%	28,140	28,140	1998	100.0%	
874-896 Rue Trans Canada, Longueuil	100%	27,836	27,836	1998	90.3%	
938-952 Rue Trans Canada, Longueuil	100%	27,826	27,826	1998	100.0%	
908-926 Rue Trans Canada, Longueuil	100%	27,645	27,645	1998	100.0%	
982-1002 Rue Trans Canada, Longueuil	100%	27,415	27,415	1998	100.0%	
200-210 Rue Lebeau, St-Laurent	100%	26,550	26,550	1999	100.0%	IBM Canada
735-743 Avenue Renaud, Dorval	100%	23,386	23,386	1999	100.0%	Canada Direct Database Marketing
9010-9060 Rue Ryan, Dorval	100%	23,063	23,063	1999	56.7%	
9245 and 9255 Chemin de la Côte de Liesse, Dorval ...	100%	19,178	19,178	1999	100.0%	
10 Place du Commerce, Brossard	100%	18,300	18,300	1999	100.0%	
Total Montreal Industrial ...	87%	3,239,812	2,818,212		90.2%	
2110-2160 Williams Parkway, Brampton	100%	228,668	228,668	1997	100.0%	Chembond; Wollin Canada; Eaton Yale; W.G. Pro-Packaging; Lifoam Canada
77 Fima Crescent, Toronto ..	100%	212,110	212,110	1996	100.0%	Samko Sales; National Rubber
2155 Steeles Avenue East and 7956 Torbram Road, Brampton	100%	153,702	153,702	1998	96.0%	Picker International Canada; J.E.T. Contracting
51 Caldari Road, Vaughan ...	100%	148,031	148,031	1998	97.1%	San Remo Lighting; Dominion Ventures Parts (Western)
7600 Danbro Crescent, Mississauga	100%	137,728	137,728	1999	100.0%	Contract Pharmaceuticals

Property	Ownership	Total GLA in Square Feet	Owned Share of Total GLA in Square Feet	Year Acquired	Occupied/ Committed as at March 31, 2003	Occupancy over 20,000 sq. ft. (on a 100% basis)
1070-1100 Midway Boulevard, Mississauga . . .	100%	83,368	83,368	1998	100.0%	ADM Cocoa Canada; Cimmaster
1820 Ironstone Drive, Burlington	100%	81,776	81,776	1998	100.0%	Pippard; Terdun Material
6500 Kitimat Road, Mississauga	100%	59,600	59,600	1998	100.0%	Contract Pharmaceuticals
1020 Lorimar Avenue and 7115 Tomken Road, Mississauga	100%	52,295	52,295	1998	100.0%	Vibrant Photo
55 Idema Road, Markham . .	100%	36,720	36,720	1997	100.0%	Mikeway
120 Valleywood Drive, Markham	50%	59,425	29,713	1998	100.0%	Prestige Office Interiors
1500-1520 Trinity Drive, Mississauga	100%	29,759	29,759	1998	100.0%	
85 Idema Road, Markham . .	100%	28,605	28,605	1997	100.0%	Shaker-Tomlin Packagers
2301 Royal Windsor Drive, Mississauga	25%	106,341	26,585	1998	100.0%	PPG Canada; Little Caesars of Canada; Royal Moving and Storage
2311 Royal Windsor Drive, Mississauga	25%	97,795	24,449	1998	100.0%	TWF Logistics Group
Total Toronto Industrial . . .	88%	1,515,923	1,333,109		99.2%	
Ford Warehouse, Edmonton	100%	246,000	246,000	1998	100.0%	Ford Motor Company of Canada
Alberta Park, Edmonton . . .	100%	127,098	127,098	1998	98.9%	Western Drug Distribution Centre; Bolder Graphics
Bonaventure Centre, Edmonton	100%	113,993	113,993	1998	100.0%	Bridge Band Foods; Brink's Canada
Parkway East Building II, Edmonton	100%	57,445	57,445	1998	100.0%	
Parkway East Building I, Edmonton	100%	48,383	48,383	1998	100.0%	
Central Web Offset, Edmonton	100%	44,500	44,500	1998	100.0%	Central Web Offset
Office 99, Edmonton	100%	23,168	23,168	1998	100.0%	
Total Edmonton Industrial . .	100%	660,587	660,587		99.8%	
7102-7220 Barlow Trail SE, Calgary	100%	222,570	222,570	1998	100.0%	Magnum Designs; Ecco Heating Products; Prime Link Transportation; O.K. Tire Stores
2705-2737 57th Avenue SE, Calgary	100%	108,800	108,800	1998	100.0%	Shanahan's Alberta
7004-7042 30th Street SE, Calgary	100%	94,208	94,208	1998	89.1%	Arctic Parts & Service
4710-4760 14th Street NE, Calgary	100%	72,780	72,780	1998	95.9%	
1139-1165 40th Avenue NE, Calgary	100%	57,344	57,344	1998	100.0%	Instabox
501-529 36th Avenue SE, Calgary	100%	57,145	57,145	1998	100.0%	
4504-4576 14th Street NE, Calgary	100%	57,090	57,090	1998	100.0%	
4402-4434 10th Street NE, Calgary	100%	54,000	54,000	1998	94.7%	
535-561 36th Avenue SE, Calgary	100%	39,940	39,940	1998	100.0%	
Highfield Industrial Building, Calgary	100%	30,130	30,130	1998	100.0%	

Property	Ownership	Total GLA in Square Feet	Owned Share of Total GLA in Square Feet	Year Acquired	Occupied/ Committed as at March 31, 2003	Occupancy over 20,000 sq. ft. (on a 100% basis)
6804-6818 30th Street SE, Calgary	100%	30,000	30,000	1998	90.0%	
6023-6039 Centre Street South, Calgary	100%	28,800	28,800	1998	100.0%	
4502-4516 10th Street NE, Calgary	100%	28,800	28,800	1998	87.5%	
6043-6055 Centre Street South, Calgary	100%	25,200	25,200	1998	57.1%	
530-544 38A Avenue SE, Calgary	100%	24,000	24,000	1998	100.0%	
1135-1149 45th Avenue NE, Calgary	100%	21,600	21,600	1998	100.0%	
4620-4640 11th Street NE, Calgary	100%	21,097	21,097	1998	90.9%	
102-114 61st Avenue SW, Calgary	100%	18,900	18,900	1998	85.7%	
4001-4019 23rd Street NE, Calgary	100%	15,840	15,840	1998	66.7%	
2915-2925 58th Avenue SE, Calgary	100%	15,600	15,600	1998	100.0%	
4515-4519 1st Street SE, Calgary	100%	14,400	14,400	1998	100.0%	
3503-3521 62nd Avenue SE, Calgary	100%	13,200	13,200	1998	100.0%	
4501-4509 1st Street SE, Calgary	100%	13,200	13,200	1998	100.0%	
4523-4529 1st Street SE, Calgary	100%	11,400	11,400	1998	100.0%	
7122-7126 Barlow Trail SE, Calgary	100%	5,400	5,400	1998	100.0%	
7128-7132 Barlow Trail SE, Calgary	100%	5,400	5,400	1998	100.0%	
Total Calgary Industrial	100%	1,086,844	1,086,844		96.0%	
Total Industrial	91%	6,503,166	5,898,752		94.4%	
Redevelopment Assets:						
15303-128th Avenue, Edmonton	100%	178,000	178,000	1998	n/a	Highland Moving and Storage
Total Redevelopment Assets	100%	178,000	178,000		n/a	

A description of the industrial properties in the RP Properties portfolio in which the book value of Dundee REIT's interest will be greater than \$5,000,000 is set out below.

Montréal, Québec

105-125 Montée de Liesse, Saint-Laurent — Dundee REIT will own 100% of this 159,848 square foot multi-tenant industrial building located in a prime industrial district in Saint-Laurent, a suburb of Montréal, Québec. The building was constructed in 1976 and features a ceiling clearance of 18 feet.

900-950 Boulevard St. Martin Ouest, Laval — Dundee REIT will own 100% of this 142,693 square foot dual-tenant industrial building located in Laval, a northern suburb of Montréal, Québec. The building was constructed in 1974, renovated in 1989, and features a ceiling clearance of 22 feet.

Toronto, Ontario

7600 Danbro Crescent, Mississauga — Dundee REIT will own 100% of this single-tenant industrial warehouse located on a 16 acre site north of Highway 401, west of Meadowvale Boulevard, in the

Meadowvale Business Park in Mississauga, a western suburb of Toronto, Ontario. The building, which comprises 137,728 square feet and was completed in 1989, features a ceiling clearance of 27 feet.

2110-2160 Williams Parkway East, Brampton — Dundee REIT will own 100% of this industrial complex located at 2110, 2130, 2150, and 2160 Williams Parkway East in Brampton, a northwestern suburb of Toronto, Ontario. The complex is comprised of four buildings, completed in 1991 and totalling 228,668 square feet, including a 19,000 square foot design-build expansion constructed in 1998 for an existing tenant. The average ceiling clearance is 20 feet.

2155 Steeles Avenue and 7956 Torbram Road, Brampton — Dundee REIT will own 100% of this three building, 153,702 square foot multi-tenant industrial warehouse complex, located in the northwestern Toronto suburb of Brampton, Ontario. The buildings, completed in 1987, feature an average ceiling clearance of 22 feet.

51 Caldari Road, Vaughan — Dundee REIT will own 100% of this 148,031 square foot industrial warehouse property located in the northern Toronto suburb of Vaughan, Ontario. The property is comprised of two multi-tenant buildings completed in 1991, which feature a ceiling clearance of 20 feet.

Edmonton, Alberta

15303 128th Avenue, Edmonton — Dundee REIT will own 100% of this 178,000 square foot warehouse and distribution facility, located at 15303 — 128th Avenue in the Mistatim Industrial Park in Edmonton, Alberta. The building, which was completed in 1977, has a clearance height of 25 feet. The property is currently classified as a redevelopment asset and includes surplus land that is zoned for industrial use and suitable for use as outside storage or for future expansion of the existing improvements.

Ford Warehouse, Edmonton — Dundee REIT will own 100% of this 246,000 single-tenant industrial warehouse occupied by the Ford Motor Company of Canada. The building, constructed in 1980, features 30 foot ceiling clearance and is located at 11604 — 181st Street in the Norwester Industrial subdivision, on the west side of 181st Street at 116th Avenue in Edmonton, Alberta.

Calgary, Alberta

7102-7220 Barlow Trail SE, Calgary — Dundee REIT will own 100% of this 222,570 square foot multi-tenant industrial building, located in the Foothills Industrial Park in southeast Calgary, Alberta. The building was completed in 1979 and has a ceiling clearance of 22 feet.

2705-2737 57th Avenue SE, Calgary — Dundee REIT will own 100% of this 108,800 square foot single-tenant industrial warehouse building, located in the Foothills Industrial Park in southeast Calgary, Alberta. Completed in 1977, the building features a ceiling clearance of 20 feet.

7004-7042 30th Street SE, Calgary — Dundee REIT will own 100% of this 94,208 square foot multi-tenant industrial building, located in the Foothills Industrial Park in southeast Calgary, Alberta. Completed in 1976, the building features a ceiling clearance of 18 feet.

4710-4760 14th Street NE, Calgary — Dundee REIT will own 100% of this 72,780 square foot multi-tenant industrial warehouse located near the airport and McKnight Boulevard in Calgary, Alberta. The building was constructed in 1976 and features a ceiling clearance of 18 feet.

Retail Properties

The RP Properties retail portfolio is comprised of interests in 5 retail centres, located in the provinces of Alberta, Saskatchewan and Ontario as well as in the state of Georgia in the United States. The retail properties in the RP Properties portfolio consist of dominant regional, community or neighbourhood shopping centres, totalling approximately 1.5 million square feet, of which Dundee REIT's interest will be approximately 1.4 million square feet. A total of 4 retail properties in the RP Properties portfolio, representing approximately 93.6% of the retail gross leasing area of the RP Properties portfolio will be

wholly-owned by Dundee Properties LP. As at March 31, 2003, the retail properties of the RP Properties portfolio enjoyed an average occupancy rate of approximately 93.3%.

The table below sets forth the retail properties in the RP Properties portfolio. Included in this table in respect of each retail property is information regarding the percentage of ownership of the retail property that will be held by Dundee REIT as of the Effective Time of the Arrangement, the total gross leasable area of the retail property, Dundee REIT's share of the total gross leasable area, the year in which the retail property was acquired by the Corporation, the occupancy rate as at March 31, 2003 and the name of any significant tenants (as determined by whether those tenants occupy over 20,000 square feet of the retail property on a 100% basis).

Property	Ownership	Total GLA in Square Feet	Owned Share of Total GLA in Square Feet	Year Acquired	Occupied/ Committed as at March 31, 2003	Occupancy over 20,000 sq. ft. (on a 100% basis)
Simcoe Town Centre, Simcoe.....	100%	128,128	128,128	1998	86.4%	Giant Tiger, A&P
Centennial Mall, Brampton	50%	177,678	88,839	1998	100.0%	Zellers, Food Basics (A&P)
Total Ontario Retail	71%	305,806	216,967		92.0%	
Northgate Mall, Regina . . .	100%	326,798	326,798	1998	92.1%	Zellers, Safeway
Kameyosek Shopping Centre, Edmonton	100%	46,055	46,055	1998/2002	87.3%	
Total Western Canada Retail	100%	372,853	372,853		91.5%	
Greenbriar Mall, Atlanta . .	100%	795,417	795,417	1998	94.5%	Rich's, Burlington Coat Factory, Cub Foods, Magic Johnson Theaters, Circuit City, Venator Group
Total US Retail	100%	795,417	795,417		94.5%	
Total Retail	94%	1,474,076	1,385,237		93.3%	

A description of the retail properties in the RP Properties portfolio in which the book value of Dundee REIT's interest will be greater than \$5,000,000 is set out below.

Ontario

Simcoe Town Centre, Simcoe — Dundee REIT will own 100% of this 128,128 square foot enclosed single-storey community shopping centre located at 150 West Street in the southwestern Ontario city of Simcoe. Constructed in 1982, renovated in 1994 and partially redeveloped in 2001, the centre is anchored by an A&P supermarket and a Giant Tiger discount department store. The property includes an adjacent land parcel for future expansion.

Centennial Mall, Brampton — Dundee REIT will own a 50% interest in this single-storey community shopping centre located on 15 acres of land at 227 Vodden Street in the northwestern Toronto suburb of Brampton, Ontario. Built in 1974, the centre is comprised of two buildings totalling 177,678 square feet. The mall is anchored by a Zellers department store and a Food Basics supermarket (a unit of Dominion Stores, a national grocery chain) that was renovated several years ago.

Western Canada

Northgate Mall, Regina — Dundee REIT will own 100% of this single-storey regional shopping centre comprised of 326,798 square feet of leasable space located at 489 Albert Street North in Regina, Saskatchewan. Built in 1965, the mall services the northern portion of Regina, is situated on 24 acres of land along one of Regina's principal arterial corridors and is anchored by Zellers and a Canada Safeway

supermarket. Substantial renovations of this mall were completed in 1998, 1999 and 2002, adding a mix of new small and medium-sized national and regional tenants.

Kameyosek Shopping Centre, Edmonton — Dundee REIT will own 100% of this single-storey neighbourhood shopping centre located at 28th Avenue and Millwoods Road in the Millwoods community of southern Edmonton, Alberta. The centre, built in 1984, is comprised of three buildings totalling 46,055 square feet of leasable space. The tenant mix consists of national, regional and local service tenants.

United States

Greenbriar Mall, Atlanta — Dundee REIT will own 100% of this 795,417 square foot single-storey regional shopping mall located at 2841 Greenbriar Parkway, approximately seven miles southwest of downtown Atlanta, Georgia. Greenbriar Mall was built in 1965 and was renovated in 1987 and again in 1997. A 63,000-square foot Cub Foods supermarket was constructed adjacent to the mall in 1993 and a 12-screen Magic Johnson movie theatre complex was constructed adjacent to the mall in 1996. The mall is also anchored by Rich's, Burlington Coat Factory and Circuit City.

Relationship with the Corporation Following the Acquisition

Following completion of the Acquisition, the Corporation will be owned by DBI, certain of its affiliates and the Management Shareholders. DBI and certain of its affiliates will hold LP Class B Units, Series 1, which will effectively represent an approximate 42.7% equity interest in Dundee REIT and the Management Shareholders and their associates will hold REIT Units, Series A representing an approximate 8.2% equity interest in Dundee REIT. In addition, Dundee Management LP, a limited partnership jointly owned by Dundee Properties LP and the Corporation, will provide property management and other services to Dundee REIT, the Operating Trusts and Dundee Properties LP pursuant to the Master Property Management Agreement and the Dundee REIT Administrative Services Agreement, respectively, and a range of services to the Corporation and its affiliates pursuant to the DRC Administrative Services Agreement.

Auditors, Transfer Agent and Registrar

Subject to obtaining the necessary Unitholder approval, the auditors of Dundee REIT will be PricewaterhouseCoopers LLP, chartered accountants, at its offices in Toronto, Ontario.

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

MANAGEMENT OF DUNDEE REIT

The overall operations and affairs of Dundee REIT will be subject to the control of the Trustees, while the day to day activities of Dundee REIT will be under the direction of Dundee REIT's senior management team.

Board of Trustees

The Declaration of Trust provides that the assets and operations of Dundee REIT are subject to the control and authority of a minimum of five Trustees and a maximum of 12 Trustees, a majority of whom must be resident Canadians. Initially, there will be nine Trustees. Pursuant to the Declaration of Trust, DBI is entitled to appoint up to one less than a majority of the Trustees provided that DBI and its affiliates continue to beneficially own, in the aggregate, at least 4,000,000 REIT Units or an aggregate number of REIT Units that, upon the surrender or exchange of the LP Class B Units, Series 1, would equal at least 4,000,000 REIT Units or an equivalent number resulting from any consolidation, subdivision, or division of REIT Units. The remaining Trustees will be elected by Unitholders in the manner provided below. If DBI and its affiliates fail to beneficially own at least such number of REIT Units, or DBI voluntarily surrenders its right to appoint Trustees, DBI will permanently lose its right to appoint any

Trustees. The Chief Executive Officer and/or President of Dundee REIT may not be appointed as a Trustee by DBI, but may be elected as a Trustee by Unitholders. The number of Trustees may be changed by the Unitholders or, if authorized by the Unitholders, by the Trustees, provided that the Trustees may not, between meetings of Unitholders, unless otherwise approved by a majority of the Independent Trustees, appoint an additional Trustee if, after such appointment, the total number of Trustees would increase by more than one-third the number of Trustees in office immediately following the last annual meeting of Unitholders. A vacancy occurring among the Trustees, other than among the nominees of DBI, may be filled by DBI if DBI at that time has not appointed the maximum number of Trustees to which it is entitled. If DBI has appointed the maximum number of Trustees to which it is entitled, or if DBI chooses not to fill a vacancy, such vacancy may be filled by resolution of the remaining Trustees, so long as they constitute a quorum, or by the Unitholders at a meeting of the Unitholders. A vacancy occurring among the nominees of DBI may be filled by DBI. The Trustees on the Effective Date, other than the nominees of DBI, will hold office for a term expiring at the close of the first annual meeting of the Unitholders or until their respective successors are elected or appointed and shall be eligible for re-election. Thereafter, Trustees, other than the nominees of DBI, will be elected at each annual meeting of Dundee REIT and will be elected for a term expiring at the conclusion of the next annual meeting or until their successors are elected or appointed and will be eligible for re-election. DBI will appoint its nominees as Trustees at each annual meeting of Dundee REIT for a term expiring at the next annual meeting unless removed prior to such meeting at the direction of DBI. A Trustee appointed by the Trustees between meetings of Unitholders or to fill a vacancy will be appointed for a term expiring at the conclusion of the next annual meeting of Dundee REIT or until his or her successor is elected or appointed and will be eligible for election or re-election.

The Declaration of Trust provides that a Trustee may resign upon written notice to Dundee REIT and a Trustee (other than a nominee of DBI) may be removed with or without cause by a majority of the votes cast at a meeting of Unitholders or with cause by two-thirds of the remaining Trustees.

Each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly and in good faith with a view to the best interests of Dundee REIT and the Unitholders and, in connection therewith, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The following table sets forth the name, municipality of residence, office held with Dundee REIT and principal occupation of each of the initial Trustees of Dundee REIT:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Dr. Günther Bautz(1) (5) Ulm, Germany	Trustee	Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances
Detlef Bierbaum(2) (5) Köln, Germany	Trustee	Partner, Bankhaus Sal. Oppenheim jr. & Cie, KGaA, a private investment bank
Donald K. Charter(1) (6) Toronto, Ontario	Trustee	Executive Vice-President, DBI, a financial services company, Chairman, President and Chief Executive Officer, Dundee Securities Corporation, an investment dealer
Michael J. Cooper(2) Toronto, Ontario	Trustee	President and Chief Executive Officer of the Corporation
Peter A. Crossgrove(3) (4) (5) Toronto, Ontario	Trustee	Chairman, Masonite International Inc., a door manufacturing company
Robert G. Goodall(1) (3) (5) Mississauga, Ontario	Trustee	President, Canadian Mortgage Capital Corporation, a mortgage brokerage company
David J. Goodman(4) (6) Toronto, Ontario	Trustee	President and Chief Executive Officer, Dynamic Mutual Funds Ltd., a mutual fund company
Ned Goodman(2) (3) (6) Innisfil, Ontario	Trustee	President and Chief Executive Officer, DBI, a financial services company
Gert Silber-Bonz(4) (5) Michelstadt, Germany	Trustee	Business Consultant

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Investment Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Governance and Environmental Committee.
- (5) Independent Trustee.
- (6) DBI Appointee.

Biographical information regarding each of the Trustees of Dundee REIT is provided below.

Dr. Günther Bautz

Günther Bautz is Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances based in Kronberg, Germany. In this capacity, Dr. Bautz advises the company on the resolution of international patent disputes after having been Braun's Patent and Trademark Counsel from 1993 to 2002. From 1981 to 1993 he held different positions in Braun's patent, trademark and licencing department. Prior to joining Braun, Dr. Bautz worked as a scientist in different institutions and companies. Since 1993 he has been lecturing on patent law at the University of Applied Sciences of Frankfurt. Dr. Bautz holds a degree in physics (Diplom-Physiker) from the Technical University of Munich, a doctoral degree in natural science from the University of Ulm and is a certified German and European patent and trademark attorney.

Detlef Bierbaum

Detlef Bierbaum is a Partner with Bankhaus Sal. Oppenheim jr. & Cie, the biggest private investment bank in Köln, Germany. Since 1991, Mr. Bierbaum has held the position of Managing Partner with responsibility for asset management and, since 2002, also for investment banking of Bankhaus Sal Oppenheim jr. & Cie. Prior to 1991, he was the Chief Financial Officer of the Nordstern Insurance Companies based in Köln. He is a member of the Board of Directors of a number of companies in the

asset management and banking sector based in Germany, England, Ireland, Luxemburg, the U.S. and Hong Kong. Mr. Bierbaum is a graduate of the Universities of Köln and Munich where he studied commercial banking and business administration.

Donald K. Charter

Donald K. Charter has served as a director of Dundee Realty Corporation since 1996. Mr. Charter is an Executive Vice-President of Dundee Wealth Management Inc., Executive Vice-President of DBI, Chairman, President and Chief Executive Officer of Dundee Securities Corporation, and Chairman of Dundee Private Investors Inc. and Dundee Insurance Agency Ltd. Prior to joining the Dundee Group of Companies in 1996, Mr. Charter was a partner in the law firm of Smith, Lyons now incorporated under the practice of Gowlings. Mr. Charter is also a director of Dundee Wealth Management Inc., Breakwater Resources Ltd., Iamgold Corporation, and Black Hawk Mining Corporation.

Michael J. Cooper

Mr. Cooper has 18 years of experience in real estate development and property management. He has held the position of Chief Executive Officer of the Corporation since the Corporation's creation in 1996 and the dual positions, including President, since 1998. Prior to joining the Corporation, Mr. Cooper was Vice-President at Goodman & Company, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. He also served as Vice-President, Marketing and Development for Twigg Holdings Limited, a developer and manager of urban office buildings, primarily in downtown Toronto. Mr. Cooper currently sits on the Board of Directors of The Toronto Symphony Orchestra, Pethealth Inc. and Dynamic Precious Metals. He holds a law degree from the University of Western Ontario and received a Masters in Business Administration from York University in 1986.

Peter A. Crossgrove

Peter Crossgrove is the Chairman and a founder of Masonite International Inc., a door manufacturing company. Masonite has operations in 14 countries, has 12,000 employees and annual sales in excess of US\$1.5 billion. Mr. Crossgrove sits on various boards of directors including Barrick Gold, Quadra Logic Technologies, Band-Ore Resources and Philex Gold. His charitable work includes serving as Chairman of Cancer CARE Ontario, Treasurer of CARE International (based in Brussels) and Chairman of the Canadian Association of Provincial Cancer Agencies. He holds a bachelor of commerce degree from Concordia University, a Masters in Business Administration from the University of Western Ontario and is a Sloan Fellow of the Doctoral Program at Harvard Business School.

Robert G. Goodall

Robert Goodall is the President of Canadian Mortgage Capital Corporation (CMCC), a mortgage brokerage company based in Toronto which arranges in excess of \$500 million of commercial and multi-residential mortgages per year. In addition, the company arranges and funds private mortgages, construction financing and equity loans to real estate developers. Prior to founding CMCC, Mr. Goodall was the National Managing Partner of Royal Trust's Real Estate Finance Group. Mr. Goodall is a Director of Dundee Realty Corporation and The Fair Rental Policy Organization of Ontario (Ontario's association of apartment landlords). He holds an MBA in Finance from York University and an Honours Bachelor of Business Administration degree from the University of Western Ontario.

David J. Goodman

David Goodman is President and Chief Executive Officer of Dynamic Mutual Funds Ltd. and President of Goodman & Company, Investment Counsel. Prior to joining Goodman & Company, David had a successful career as a lawyer, specializing in commercial and debt-related litigation with a major Canadian law firm. David was born in Montreal and earned his Bachelor of Commerce Degree from

McGill University in 1985. He received his LL.B (cum laude) from the University of Ottawa in 1988, and his Chartered Financial Analyst designation in 1996.

Ned Goodman

Ned Goodman is President and Chief Executive Officer of DBI, Chairman, President and Chief Executive Officer of Dundee Wealth Management Inc., Chairman of Dynamic Mutual Funds Limited and Chairman of the Corporation. He is a portfolio manager for the Dynamic Focus+ family of mutual funds. His investment experience spans 40 years as a securities analyst, portfolio manager and senior executive, and he has an established reputation as one of Canada's most successful investment counselors. Mr. Goodman is the founder and benefactor of the Goodman Institute of Investment Management, a graduate school for investment management at Concordia University, and serves there as an Adjunct Professor and as a member of the Associates of the Chancellor. He is actively involved in and a benefactor of various philanthropic activities including Chairman Emeritus of the Canadian Council of Christians and Jews, a Governor of Junior Achievement of Canada, and a Director of the Royal Ontario Museum Foundation. He is also a founding director of the Roasters Foundation, the Jodamada Foundation and the Dynamic Fund Foundation. Mr. Goodman has a Bachelor of Science degree from McGill University and a Masters in Business Administration from the University of Toronto. He earned the designation of Chartered Financial Analyst in 1967. In 1997, he was awarded a Doctorate of Laws, *honoris causa*, by Concordia University.

Gert Silber-Bonz

Mr. Silber-Bonz is presently a business consultant with several business associations. He serves as the managing partner of J.J. Schlayer GmbH, a German company that invests in real estate in Germany, the United States and Canada. In addition, he sits on the board of directors of various companies including the German newspaper company Frankfurter Allgemeine Zeitung GmbH, the publishing houses Deutsche Verlagsanstalt GmbH and Maerkische Verlags- und Druckgesellschaft mbH, and the largest Volkswagen Audi, Porsche and Skoda dealer in Berlin. From 1963 to 1995 Mr. Silber-Bonz was the Chief Executive Officer of Pirelli Deutschland AG, a tire manufacturing company.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions similar to those applicable to corporations under section 132 of the OBCA which will serve to protect Unitholders without creating undue limitations on Dundee REIT. Given that the Trustees and the officers of Dundee REIT are engaged in a wide range of real estate and other business activities, the Declaration of Trust will require each Trustee or officer of Dundee REIT to disclose to Dundee REIT if he or she is a party to a material contract or transaction or proposed material contract or transaction with Dundee REIT or its subsidiaries or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Dundee REIT or its subsidiaries. Such disclosure is required to be made by a Trustee at the first meeting at which a proposed contract or transaction is considered, at the first meeting after a Trustee becomes interested in a proposed or pending contract or transaction or at the first meeting after an interested party becomes a Trustee. Disclosure is required to be made by an officer of Dundee REIT as soon as the officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the Trustees, as soon as the officer becomes aware of his or her interest in a contract or transaction or, if not currently an officer of Dundee REIT, as soon as such person becomes an officer of Dundee REIT. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee or officer of Dundee REIT is required to disclose in writing to Dundee REIT or request to have entered into the minutes of the meeting of the Trustees the nature and extent of his or her interest forthwith after the Trustee or officer of Dundee REIT becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote

on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a Trustee, officer, employee or agent of Dundee REIT or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance.

The Declaration of Trust contains provisions to address potential conflicts of interest arising between Dundee REIT and any Related Party. In particular, following the Effective Date, Dundee REIT will obtain a valuation in respect of any real property that Dundee Properties LP intends to purchase from or sell to a Related Party prepared by a valuator engaged by, and prepared under the supervision of, a committee of two or more Independent Trustees who have no interest in such transaction. In addition, Dundee REIT will not permit Dundee Properties LP to effect a transaction with a Related Party unless the transaction is determined to be on commercially reasonable terms by, and is approved by, a majority of Dundee REIT's Independent Trustees who have no interest in such transaction.

Independent Trustee Matters

In addition to requiring the approval of a majority of the Trustees, the following matters require the approval of at least a majority of the Independent Trustees who have no interest in the matter to become effective:

- making a material change to the Plan of Arrangement;
- permitting Dundee Properties LP to make a material change to the Master Property Management Agreement, the Dundee REIT Administrative Services Agreement or the limited partnership agreement of Dundee Management LP, change the fees payable thereunder, renew the Master Property Management Agreement or the Dundee REIT Administrative Services Agreement at the end of their respective terms or appoint a substitute for the property manager after the end of the term of the Master Property Management Agreement, and any change to the provisions of such agreements relating to Independent Trustee approval shall be deemed to be such a material change;
- entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;
- any matter relating to a claim by or against any Related Party;
- any matter relating to a claim in which the interests of a Related Party differ from the interests of Dundee REIT;
- permitting Dundee Properties LP to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party;
- granting REIT Units under any unit incentive or unit compensation plan approved by the Trustees or awarding any right to acquire or other right or interest in REIT Units or securities convertible into or exchangeable for REIT Units under any plan approved by the Trustees;
- approving or enforcing any agreement entered into by Dundee REIT or its subsidiaries with a Trustee who is not an Independent Trustee or an associate thereof, with a Related Party, or with the property manager under the Master Property Management Agreement;
- recommending to the holders of REIT Units to increase the number of Trustees serving on the board of Trustees or authorizing the Trustees to change the number of Trustees from time to time; and
- changing the compensation of any officer or employee of Dundee REIT.

General Powers of the Board of Trustees

The board of Trustees of Dundee REIT will, subject to certain specific limitations contained in the Declaration of Trust and without further authorization and free from any control or direction of Unitholders, have full, absolute and exclusive power, control and authority over the assets and affairs of

Dundee REIT, to the same extent as if the Trustees were the sole owners of such assets in their own right, to do all such acts and things as they in their sole judgment and discretion determine necessary or incidental to, or desirable for, the carrying out of any of the purposes of Dundee REIT or conducting the affairs of Dundee REIT.

Relationship Between the Board of Trustees and Management

The proposed board of Trustees initially will be composed of nine Trustees, three of whom will be appointed by DBI.

The limits of management's responsibilities will be clearly defined by the board of Trustees of Dundee REIT. This will be accomplished both by specifically identifying the role and responsibilities of the Chief Executive Officer of Dundee REIT and by specifying that all material decisions relating to the business and operations of Dundee REIT are to be made by the board of Trustees or a committee thereof.

Committees

The board of Trustees of Dundee REIT will establish four committees: the Audit Committee, the Compensation Committee, the Governance and Environmental Committee and the Investment Committee. The Declaration of Trust requires that a majority of the Trustees on each of these committees (other than the Investment Committee) be Independent Trustees and that a majority of the Trustees on each of these committees be resident Canadians.

Audit Committee

The Declaration of Trust requires the board of Trustees to have an Audit Committee consisting of at least three Trustees. The Chair of the Audit Committee will be selected from the group of Independent Trustees appointed to serve on the Audit Committee. The Audit Committee's terms of reference will include (i) reviewing Dundee REIT's procedures for internal control with Dundee REIT's auditors and the Chief Financial Officer; (ii) reviewing the engagement of the auditors; (iii) reviewing and recommending to the board of Trustees the approval of the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operation; (iv) assessing Dundee REIT's financial and accounting personnel; and (v) reviewing any significant transactions outside Dundee REIT's ordinary activities and all pending litigation involving Dundee REIT. The Audit Committee will initially consist of Messrs. Goodall, Charter and Bautz, with Mr. Goodall being the chairman.

Compensation Committee

The Declaration of Trust requires the board of Trustees to have a Compensation Committee consisting of at least three Trustees. The Chair of the Compensation Committee will be selected from the group of Independent Trustees appointed to serve on the Compensation Committee. In addition to having responsibility for Dundee REIT's human resources and compensation policies, the Compensation Committee will have primary responsibility for: (i) administering Dundee REIT's unit incentive plans; (ii) assessing the performance of the Chief Executive Officer; (iii) reviewing and approving the compensation of senior management of, and consultants to, Dundee REIT; and (iv) reviewing and making recommendations to the board of Trustees concerning the level and nature of the compensation payable to the Trustees. The Compensation Committee will initially consist of Messrs. Crossgrove, Goodall and Ned Goodman, with Mr. Crossgrove being the chairman.

Governance and Environmental Committee

The Declaration of Trust requires the board of Trustees to have a Governance and Environmental Committee consisting of at least three Trustees. The Chair of the Governance and Environmental Committee will be selected from the group of Independent Trustees appointed to serve on the Governance and Environmental Committee. With respect to the corporate governance functions of the Governance and Environmental Committee, in addition to reviewing Dundee REIT's approach to corporate governance and

having general responsibility for the governance of Dundee REIT, the Governance and Environmental Committee will be primarily responsible for (i) assessing the effectiveness of the board of Trustees and each of its committees; (ii) considering questions of management succession; (iii) participating along with management in the recruitment and selection of candidates for Trustees of Dundee REIT; and (iv) considering and approving proposals by the Trustees of Dundee REIT to engage outside advisers on behalf of the board of Trustees as a whole or on behalf of the Independent Trustees. With respect to the environmental functions of the Governance and Environmental Committee, the Governance and Environmental Committee will review the environmental state of any real property owned by Dundee Properties LP and will be responsible for the formal policies and procedures relating to reviewing and monitoring the environmental exposure of Dundee REIT and its subsidiaries. The Governance and Environmental Committee will initially consist of Messrs. Crossgrove, Silber-Bonz and David Goodman, with Mr. Crossgrove being the chairman.

Investment Committee

The Declaration of Trust requires the board of Trustees to have an Investment Committee consisting of at least three Trustees, each of whom must have a minimum of three years of substantial experience in the real estate industry. The Investment Committee will (i) approve or reject proposed acquisitions and dispositions of investments by Dundee REIT (ii) authorize proposed transactions; and (iii) approve all financing arrangements and the assumption or granting of any mortgage other than the renewal of any existing mortgage by any of Dundee REIT's subsidiaries. The Investment Committee will initially consist of Messrs. Bierbaum, Cooper and Ned Goodman, with Mr. Ned Goodman being the chairman.

Remuneration of Trustees

The Trustees will be entitled to compensation for their services as trustees of Dundee REIT. The initial compensation for the Trustees, other than Trustees who are also employees of Dundee REIT or any of its subsidiaries, shall be \$12,500 per year plus a meeting fee of \$1,500 per day for each meeting of the board of Trustees or a committee thereof attended in person or via telephone conference and reimbursement for their out of pocket expenses incurred in acting as Trustee. The chairman of the board of Trustees, if not an employee of Dundee REIT or any of its subsidiaries, will receive an additional annual fee of \$100,000, but will not receive any other fees for board or committee meetings attended. The chair of each committee (other than the chair of the Investment Committee when it is a committee of the board as a whole), if not an employee of Dundee REIT or any of its subsidiaries, will receive an additional annual fee of \$5,000. In addition, Trustees are entitled to receive remuneration for services rendered to Dundee REIT in any other capacity. Trustees who are employees of and who receive salary from Dundee REIT or its subsidiaries will not be entitled to receive any remuneration for their services in acting as trustees but will be entitled to reimbursement from Dundee REIT of their out-of-pocket expenses incurred in acting as trustees.

Senior Management

The senior officers of Dundee REIT will consist of Michael J. Cooper, President and Chief Executive Officer; Jeff B. Barnes, Executive Vice-President and Chief Financial Officer; J. Michael Knowlton, Executive Vice-President and Chief Operating Officer; and P. Jane Gavan, Executive Vice-President and General Counsel. The senior officers have extensive experience in acquiring, developing and profitably managing office, industrial and retail properties. Additional officers or personnel may be employed by Dundee REIT or provided under the Dundee REIT Administrative Services Agreement to support management in fulfilling its duties. In addition to the services it obtains under the Dundee REIT Administrative Services Agreement, Dundee REIT may also outsource other services necessary to its operations to third parties, subject to approval of the Trustees as necessary. Dundee REIT will also, through its interest in Dundee Properties LP, jointly own Dundee Management LP, a limited partnership that will provide a wide range of management and other services to Dundee REIT, its subsidiaries and the Corporation following the Acquisition.

Dundee Properties LP will assume all of the Corporation's obligations with respect to the senior officers of Dundee REIT including, but not limited to, the employment agreement of P. Jane Gavan and the termination payment which would be owing to Michael J. Cooper in the event of his termination. See "Information Concerning the Corporation — Employment Agreements".

The following table sets forth the name, municipality of residence, office held with Dundee REIT and the principal occupation during the last five years of each of the individuals who will be members of senior management of Dundee REIT effective upon completion of the Acquisition:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Michael J. Cooper, Toronto, Ontario	President and Chief Executive Officer	President and Chief Executive Officer of the Corporation
Jeff B. Barnes Toronto, Ontario	Executive Vice-President and Chief Financial Officer	Executive Vice-President and Chief Financial Officer of the Corporation
J. Michael Knowlton Mississauga, Ontario	Executive Vice-President and Chief Operating Officer	Executive Vice-President and Chief Operating Officer of the Corporation
P. Jane Gavan Vaughan, Ontario	Executive Vice-President and General Counsel	Executive Vice-President, General Counsel and Secretary of the Corporation

Biographical information regarding the senior officers of Dundee REIT is provided below.

Michael J. Cooper

Mr. Cooper has 18 years of experience in real estate development and property management. He has held the position of Chief Executive Officer of the Corporation since the Corporation's creation in 1996 and the dual positions, including President, since 1998. Prior to joining the Corporation, Mr. Cooper was Vice-President at Goodman & Company, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. He also served as Vice-President, Marketing and Development for Twigg Holdings Limited, a developer and manager of urban office buildings, primarily in downtown Toronto. Mr. Cooper currently sits on the Board of Directors of The Toronto Symphony Orchestra, Pethealth Inc. and Dundee Precious Metals. He holds a law degree from the University of Western Ontario and received a Masters in Business Administration from York University in 1986.

Jeff B. Barnes

Mr. Barnes has 22 years of experience in the development and management of commercial and residential real estate. As Executive Vice-President and Chief Financial Officer of the Corporation, Mr. Barnes has been responsible for overseeing corporate and project accounting, finance, investor relations, information systems and the land and housing operations of the Corporation. Prior to its acquisition by the Corporation, Mr. Barnes was Executive Vice-President and Chief Financial Officer of Preston Developments, a land development and home building company in Saskatchewan. Prior to joining Preston, he held the position of Audit Manager with Coopers & Lybrand (as it was then known). Mr. Barnes holds a Bachelor of Science degree from the University of Saskatchewan and received his Chartered Accountant designation in 1979.

J. Michael Knowlton

Mr. Knowlton has 18 years of experience in the real estate industry. As Executive Vice-President and Chief Operating Officer of the Corporation, Mr. Knowlton has been responsible for overseeing the property management operations of the Corporation. Prior to joining the Corporation in 1998, Mr. Knowlton spent eight years at OMERS Realty Corporation and held various positions ultimately becoming Senior Vice-President, Finance and Treasury and serving as Interim President for a period of six months in 1997. Mr. Knowlton has also held senior positions with companies including Imperial Oil, Datacrown, American Standard and Citicom (a privately held real estate development company). Mr. Knowlton holds a

Bachelor of Science degree in Engineering, a Masters in Business Administration from Queen’s University and received his Chartered Accountant designation in 1977.

P. Jane Gavan

Ms. Gavan has 14 years of experience in the real estate industry. As an Executive Vice-President at the Corporation, Ms. Gavan has been responsible for managing the legal affairs of the Corporation’s business, overseeing the human resources group and serving as Corporate Secretary. Prior to its acquisition by the Corporation, Ms. Gavan acted as General Counsel for The Lehndorff Tandem Group. From 1991 to 1997 Ms. Gavan was Legal Counsel for Oxford Properties Group, prior to which she was Legal Counsel to Denison Mines. Ms. Gavan began her career in private practice with Blake, Cassels & Graydon LLP. Ms. Gavan holds a Bachelor of Laws degree from Osgoode Hall Law School and a Bachelor of Commerce degree from Carlton University.

Senior Management Compensation

The table below sets forth information concerning the proposed annual and long-term compensation arrangements for services to be rendered in the 2003 fiscal year in respect of each of the President and the other members of senior management of Dundee REIT. The members of senior management will be employed and paid by Properties General Partner on behalf of Dundee Properties LP.

<u>Name</u>	<u>Salary Payable(1)</u>	<u>Maximum Bonus Payable(2)</u>
Michael J. Cooper Toronto, Ontario	\$420,000	—
Jeff B. Barnes Toronto, Ontario	\$285,000	—
J. Michael Knowlton Mississauga, Ontario	\$285,000	—
P. Jane Gavan Vaughan, Ontario	\$210,000	—

Notes:

- (1) Members of senior management will also be entitled to perquisites and benefits representing less than 10% of their annual salaries.
- (2) To be determined following completion of the 2003 fiscal year and at the discretion of the Compensation Committee of the board of Trustees of Dundee REIT.

Deferred Unit Incentive Plan

The Corporation is seeking approval by Shareholders of a deferred unit incentive plan (the “Deferred Unit Incentive Plan”) to be adopted by Dundee REIT on the Effective Date and the reservation of 500,000 REIT Units, Series A issuable in accordance with the Deferred Unit Incentive Plan. See “Other Meeting Business — Deferred Unit Incentive Plan”.

Dundee REIT Administrative Services Agreement

Management and General Administrative Services

The Dundee REIT Administrative Services Agreement sets out the terms and conditions pursuant to which Dundee Management LP or its subsidiaries will provide certain management and general administrative services to Dundee REIT, Dundee Properties LP, OTA and OTB. The services provided to Dundee REIT will include (i) undertaking any matters required to be performed by the trustees of Dundee REIT and the Operating Trusts not otherwise delegated under the respective declarations of trust or the Dundee REIT Administrative Services Agreement; (ii) keeping and maintaining books and records;

(iii) preparing returns, filings and documents and making determinations necessary for the discharge of the obligations of the trustees of Dundee REIT and the Operating Trusts; (iv) providing Unitholders with annual audited and interim financial statements and relevant tax information; (v) preparing and filing income tax returns and filings; (vi) ensuring compliance by Dundee REIT with all applicable securities legislation and stock exchange requirements including, without limitation, continuous disclosure obligations; (vii) preparing and approving on behalf of Dundee REIT any circular or other disclosure document required under applicable securities legislation in response to an offer to purchase REIT Units; (viii) providing investor relations services to Dundee REIT; (ix) calling and holding annual and/or special meetings in respect of Dundee REIT, the Operating Trusts and Dundee Properties LP and preparing, approving and arranging for the distribution of meeting materials; (x) preparing and providing to Unitholders information such as monthly and annual reports, notices, financial reports and tax information relating to Dundee REIT; (xi) attending to administrative and other matters arising in connection with redemptions of REIT Units; (xii) ensuring that Dundee REIT elects to be a “mutual fund trust” from the date it is established and a “registered investment” within the meaning of the Tax Act and monitoring Dundee REIT’s status as such; (xiii) monitoring the investments of Dundee REIT to ensure that the foreign property of Dundee REIT does not exceed the limits prescribed in the Tax Act; (xiv) determining the amount of “distributable income”, net realized capital gains and net realized income of Dundee REIT and the Operating Trusts and arranging for distributions to be paid to unitholders; (xv) promptly notifying Dundee REIT, Dundee Properties LP and the Operating Trusts of any event that might reasonably be expected to have a material adverse effect on their respective affairs; and (xvi) generally providing all other services as may be necessary or requested by Dundee REIT, Dundee Properties LP and the Operating Trusts.

Additional Services

The Dundee REIT Administrative Services Agreement provides that Dundee Management LP will provide, or cause its subsidiaries to provide, certain asset management services to Dundee REIT, the Operating Trusts and Dundee Properties LP. These services include: (i) developing, implementing and monitoring an annual strategic asset plan with respect to the portfolio of RP Properties; (ii) preparing and implementing an asset business plan for each RP Property or group of RP Properties at least once every five years; (iii) arranging for the financing and refinancing of all of the RP Properties; (iv) identifying and recommending properties to be acquired or divested; (v) monitoring compliance with agreements relating to the ownership and management of the RP Properties; (vi) advising with respect to compliance with environmental laws and regulations; (vii) advising with respect to contractual rights such as options, rights of purchase and rights of first refusal affecting the RP Properties; (viii) monitoring the physical condition of the RP Properties and recommending capital expenditures; (ix) obtaining appraisals of the RP Properties as may be required from time to time; (x) making recommendations, providing advice and acting with respect to matters involving third parties in relation to the RP Properties; (xi) providing information required by a third party property manager in connection with returns and filings with governmental authorities; (xii) providing information required to assist accounting firms with completing annual audited financial statements with respect to the RP Properties; (xiii) providing advice and information to any third party property manager in connection with matters such as business assessments and taxes, local improvement rates, building and zoning by-laws and governmental regulations relating to the RP Properties; (xiv) assisting in connection with appearances before any tribunals in connection with matters relating to the RP Properties; (xv) reviewing and making recommendations with respect to insurance matters; (xvi) permitting examination of all books and records of Dundee Management LP relating to the services performed under the Dundee REIT Administrative Services Agreement; (xvii) providing tax accounting and advisory services; and (xviii) preparing, planning and coordinating management meetings and meetings of the Trustees.

Administrative and Support Services

Pursuant to the Dundee REIT Administrative Services Agreement, Dundee Management LP will also agree to provide or cause its subsidiaries to provide certain administrative and support services to Dundee

REIT, the Operating Trusts and Dundee Properties LP. The administrative and support services provided by Dundee Management LP will include providing office space, office equipment and communications services and computer systems, providing secretarial support personnel and reception and telephone answering services, installing and maintaining signage and promotional materials and providing such other administrative and secretarial support services as may be reasonably required from time to time.

Conflicts

The Dundee REIT Administrative Services Agreement contains an acknowledgement that Dundee Management LP or its affiliates or associates may engage in other businesses that may be similar to or competitive with the affairs of Dundee REIT, the Operating Trusts and Dundee Properties LP. In the event of a conflict, Dundee Management LP will provide each of Dundee REIT, the Operating Trusts and Dundee Properties LP with notice of the conflict and each of them shall be entitled to retain one or more third parties to perform the administrative services to which the conflict relates and to deduct from the fees otherwise payable to Dundee Management LP under the Dundee REIT Administrative Services Agreement the fees payable to such third parties.

Term

The term of the Dundee REIT Administrative Services Agreement will commence on the Effective Date and will terminate upon the termination of the Master Property Management Agreement.

Fees

The Dundee REIT Administrative Services Agreement will provide for the payment to Dundee Management LP or its subsidiaries by Dundee Properties LP or its subsidiaries of a services fee sufficient to reimburse Dundee Management LP or its subsidiaries for the expenses incurred by it in providing services under the Dundee REIT Administrative Services Agreement as long as the expenses are identified in the current annual budget for the RP Properties or are otherwise approved in writing by Dundee REIT, the Operating Trusts and Dundee Properties LP prior to being incurred by Dundee Management LP.

During the term of the Dundee REIT Administrative Services Agreement, Dundee Properties LP will also pay to Dundee Management LP a fee equal to 0.5% of (i) the cost of any properties acquired by Dundee Properties LP; (ii) the proceeds of any financing or refinancing of a property held by Dundee Properties LP; and (iii) the net proceeds of any equity financing undertaken by Dundee REIT. This fee is designed to cover the costs of Dundee Management LP of supplying services to Dundee REIT, the Operating Trusts and Dundee Properties LP in connection with these activities and is not intended to have a profit component for Dundee Management LP. Accordingly, at the end of each year, the amount of such fees paid to Dundee Management LP will be adjusted to reflect the actual expenses incurred by Dundee Management LP in providing such services.

Employee Bonus Plan

Dundee Management LP will, with the prior approval of the Independent Trustees, adopt a bonus plan providing for the compensation of the employees of Dundee Management LP and its subsidiaries with reference to certain annual financial targets of Dundee REIT.

Dundee Realty Non-Competition Agreement

The Dundee Realty Non-Competition Agreement will provide that the Corporation and its affiliates will be prohibited from directly or indirectly acquiring an ownership interest in any real property which meets the investment criteria of Dundee Properties LP, unless such investment opportunity has first been offered to Dundee Properties LP in accordance with the terms of the Dundee Realty Non-Competition Agreement.

The above investment restriction will only apply to real properties located in Canada and will not apply to investments in vacant land, residential housing, multi-residential housing units, residential condominium units, nursing homes or retirement homes. This investment restriction will not apply to the Corporation or its affiliates with respect to any real property investment made in connection with or as a condition of their securing a property, facilities or leasing management assignment with respect to such investment; provided that if the investment (i) equals or exceeds \$25 million; or (ii) equals or exceeds \$10 million and results in the Corporation or its affiliate acquiring a 10% or greater interest in the property, Dundee Properties LP may co-invest with the Corporation or its affiliate, as the case may be, on an equal basis. Further, this investment restriction will not apply to (i) passive real estate investments made by the Corporation or any affiliate which is less than \$10 million and represents less than a 25% interest in the real property, (ii) investments in properties that do not meet the investment criteria of Dundee Properties LP, as set out in the Properties Limited Partnership Agreement, (iii) investments in any property that will be used as office space, (iv) investments that are already owned by the Corporation or its affiliate, (v) investments made on behalf of fiduciary, managed or client accounts, (vi) investments that result from the realization of a loan secured by the property, and (vii) investments made by any affiliate of the Corporation that is a public company or any subsidiaries or affiliates of such public companies (other than the Corporation and its direct subsidiaries).

The Dundee Realty Non-Competition Agreement will provide that the Corporation and its affiliates will no longer be bound by the terms of the Dundee Realty Non-Competition Agreement when the Corporation and all of its affiliates no longer own any interest in Dundee REIT or in Dundee Properties LP or, in the case of an affiliate of the Corporation, when such person is no longer an affiliate of the Corporation.

Individual Non-Competition Agreements

The Individual Non-Competition Agreements will provide that each Trustee and officer of Dundee REIT will be prohibited from directly or indirectly acquiring an ownership interest in any real property which meets the investment criteria of Dundee Properties LP, unless such investment opportunity has first been offered to Dundee Properties LP in accordance with the terms of the Individual Non-Competition Agreement.

The above investment restriction will only apply to real properties located in Canada and will not apply to investments in vacant land, residential housing, multi-residential housing units, residential condominium units, nursing homes or retirement homes. This investment restriction will not apply to a Trustee or officer of Dundee REIT, or any personal holding company thereof, with respect to any real property investment made in connection with or as a condition of their securing a property, facilities or leasing management assignment with respect to such investment; provided that if the investment (i) equals or exceeds \$25 million; or (ii) equals or exceeds \$10 million and results in the Trustee or officer of Dundee REIT, or a personal holding company thereof, acquiring a 10% or greater interest in the property, Dundee Properties LP may co-invest with the Trustee or officer of Dundee REIT, or the personal holding company thereof, on an equal basis. Further, this investment restriction will not apply to (i) passive real estate investments made by the Trustee or officer of Dundee REIT, or a personal holding company thereof, which is less than \$10 million and represents less than a 25% interest in the real property, (ii) investments in properties that do not meet the investment criteria of Dundee Properties LP, as set out in the Properties Limited Partnership Agreement, (iii) investments in any property that will be used as office space, (iv) investments in any property that will be used by the Trustee or officer of Dundee REIT as its personal residence, (v) investments that are already owned by the Trustee or officer of Dundee REIT, or a personal holding company or an affiliate of a personal holding company thereof, (vi) investments made on behalf of fiduciary, managed or client accounts, (vii) investments that result from the realization of a loan secured by the property, and (viii) investments made by any personal holding company, or any of such companies' affiliates, which are public companies or any subsidiaries or affiliates of such public companies (other than the Corporation and its direct subsidiaries).

The Individual Non-Competition Agreements will provide that a Trustee or officer of Dundee REIT will no longer be bound by their terms when such Trustee or officer, as applicable, ceases to be a Trustee or officer of Dundee REIT.

INVESTMENT GUIDELINES AND OPERATING POLICIES OF DUNDEE REIT

Investment Guidelines

Pursuant to the Declaration of Trust, following the Effective Date, the assets of Dundee REIT may be invested only in accordance with the following investment guidelines:

- (a) Dundee REIT shall only invest in Operating Trust Units, Operating Trust Notes and shares of Properties General Partner, amounts receivable in respect of such Operating Trust Units, Operating Trust Notes and shares and in cash and similar deposits in a Canadian chartered bank or trust company; and
- (b) Dundee REIT shall not make or permit a subsidiary to make any investment that would result in:
 - (i) REIT Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit-sharing plans;
 - (ii) Dundee REIT being liable under the Tax Act to pay a tax imposed under Part XI or Part XII.2 of the Tax Act, including, without limitation, as a result of holdings by Dundee REIT of foreign property as defined in the Tax Act;
 - (iii) REIT Units being foreign property for the purpose of the Tax Act for any registered retirement savings plan, registered retirement income fund or deferred profit-sharing plan; or
 - (iv) Dundee REIT ceasing or failing to qualify as a “mutual fund trust” or a “registered investment” for purposes of the Tax Act.

Pursuant to the Declaration of Trust, following the Effective Date the investment guidelines set forth above may only be amended with the approval of at least 66 $\frac{2}{3}$ % of the votes cast at a meeting of Unitholders called for that purpose.

Operating Policies

The Declaration of Trust provides that, following the Effective Date, the operations and affairs of Dundee REIT will be conducted in accordance with the following policies and that Dundee REIT will not permit any subsidiary to conduct its operations and affairs other than in accordance with the following policies:

- (a)(i) any written instrument creating an obligation which is or includes the granting by Dundee REIT of a mortgage; or
- (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders, any written instrument which in the judgment of the Trustees is a material obligation;

must, in each case, contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of Dundee REIT, but that only property of Dundee REIT or a specific portion thereof will be bound;

- (b) Dundee REIT shall not underwrite, sell or market, or participate in the underwriting, selling or marketing of securities other than REIT Units and other securities of Dundee REIT; and
- (c) Dundee REIT shall only guarantee the obligations of its wholly-owned subsidiaries (other than Properties General Partner), provided that Dundee REIT may guarantee the obligations of Dundee Properties LP or Properties General Partner, as the case may be, if it has received an unqualified legal opinion that it may guarantee the obligations of such parties without ceasing or failing to qualify as a mutual fund trust for the purposes of the Tax Act.

Pursuant to the Declaration of Trust, the operating policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of Unitholders called for that purpose.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

Dundee REIT has been established under the Declaration of Trust for an indeterminate term. The following is a summary, which does not purport to be complete, of certain terms of the Declaration of Trust and the REIT Units. You should refer to the Declaration of Trust for the full text of its provisions and a complete description of the REIT Units. After the completion of the Acquisition, a copy of the Declaration of Trust may be accessed on SEDAR (www.sedar.com).

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units of Dundee REIT: REIT units and Special REIT Units. The REIT units will be initially divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. The Special REIT Units may only be issued to holders of and will not be transferable separately from LP B Units, Series 1 to which they relate.

REIT Units, Series A and REIT Units, Series B

Each REIT Unit, Series A and REIT Unit, Series B 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 the termination or winding up of Dundee REIT, in the net assets of Dundee REIT remaining after the satisfaction of all liabilities. No REIT Unit, Series A or REIT Unit, Series B, will have preference or priority over any other. The distribution entitlement of the REIT Units, Series A and the REIT Units, Series B is derived from different sources. In the case of the REIT Units, Series A, the distribution entitlement is derived from the securities of OTA held by Dundee REIT and, in the case of the REIT Units, Series B, the distribution entitlement is derived from the securities of OTB held by Dundee REIT. Notwithstanding the foregoing, the Trustees will take all necessary steps to ensure that the timing, amount and nature of the distributions on the REIT Units, Series A and the REIT Units, Series B will be the same.

The REIT Units, Series A and REIT Units, Series B will be issued as fully paid and non-assessable and are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder thereof to one vote for each whole REIT Unit, Series A and REIT Unit, Series B, as the case may be, held at all meetings of Unitholders.

Except as set out under “— Issuance of REIT Units” and “— REIT Unit Redemption Right” below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees with the approval of a majority of the Unitholders. Unitholder approval will not be required for an automatic consolidation as described in “Distribution Policy”.

No certificates will be issued for fractional REIT Units and fractional REIT Units will not entitle the holders thereof to vote, except to the extent such fractional REIT Units represent in the aggregate one or more whole REIT Units. The REIT Units are not “deposits” within the meaning of the *Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation.

Furthermore, Dundee REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on nor intend to carry on the business of a trust company.

Special REIT Units

The Declaration of Trust provides for the issuance of an unlimited number of Special REIT Units that will be used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1 or other securities that are, directly or indirectly, exchangeable for REIT Units, Series A or REIT Units, Series B. Pursuant to the Acquisition, Special REIT Units will be issued by Dundee REIT to the Corporation and DCP in conjunction with their respective subscriptions for LP Class B Units, Series 1 of Dundee Properties LP.

The Special REIT Units will not be transferable separately from the LP Class B Units, Series 1 to which they relate. The Special REIT Units will automatically be transferred upon a transfer of the corresponding LP Class B Units, Series 1. In addition, as LP Class B Units, Series 1 are surrendered for REIT Units, Series B or otherwise exchanged by the holder, the corresponding Special REIT Units will automatically be redeemed by Dundee REIT for a nominal amount and will be immediately cancelled. Each Special REIT Unit will entitle the holder thereof to the number of votes at any meeting of Unitholders which is equal to the number of REIT Units which may be obtained upon the surrender of the LP Class B Unit, Series 1 to which the Special REIT Unit relates. The Special REIT Units will entitle the holders thereof to receive nominal amounts as distributions and upon liquidation. Holders of Special REIT Units will not be entitled to receive a certificate evidencing ownership of such units.

Issuance of REIT Units

Dundee REIT may allot and issue new REIT Units from time to time as the Trustees determine, including for cash, through public offerings, through rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new REIT Units in proportion to their existing holdings of REIT Units, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders). In certain instances, Dundee REIT may issue new REIT Units as consideration for, or in connection with, the acquisition of new properties or assets. The price or the value of the consideration for which new REIT Units may be issued will be determined by the Trustees in their sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of REIT Units. Other than the pre-emptive rights granted to DBI pursuant to the Declaration of Trust, Unitholders do not have any pre-emptive rights whereby additional REIT Units proposed to be issued by Dundee REIT are first offered to existing Unitholders.

The Declaration of Trust provides DBI with a pre-emptive right pursuant to which the Trustees will not issue, or agree to issue, any REIT Units, or any securities which are convertible or exchangeable for or into REIT Units, to any person unless the Trustees first make an offer to DBI to issue that number of REIT Units or securities, at a price per unit determined by the Trustees, necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by DBI and its affiliates at the date of the offer. This pre-emptive right, however, will not apply to any issuances of REIT Units by Dundee REIT pursuant to the Distribution Reinvestment Plan referred to under “Distribution Policy — Distribution Reinvestment Plan”. DBI will have the option to specify whether it will acquire its proportionate share by way of REIT Units or the comparable number of LP Class B Units, Series 1 and accompanying Special REIT Units. Any excess portion of the units subscribed for by DBI will be issued to DBI on the same terms and conditions as issued to any other person. Any units not taken up by DBI may be issued to any person within three months of the date of such offer at not less than the price offered to DBI.

Purchase of REIT Units

Dundee REIT may from time to time purchase for cancellation REIT Units, Series A and REIT Units, Series B at a price per REIT Unit and on a basis determined by the Trustees in accordance with applicable securities legislation and the rules and policies of any applicable stock exchange.

REIT Unit Redemption Right

REIT Units are redeemable at any time on demand by the holders thereof by sending a notice to Dundee REIT at its head office in a form approved by the Trustees and completed and executed in a manner satisfactory to the Trustees, who may require supporting documentation as to identify, capacity or authority. A Unitholder not otherwise holding a fully registered REIT Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice from his or her investment dealer or other intermediary who will be required to deliver the completed redemption form to Dundee REIT. For the purposes of this section “Declaration of Trust and Description of REIT Units — REIT Unit Redemption Right”, the term “REIT Units” shall exclude Special REIT Units. Upon receipt by Dundee REIT of a written redemption notice and other documents that may be required, all in a manner satisfactory to the Trustees, a holder of REIT Units shall cease to have any rights with respect to the tendered REIT Units, including any right to receive any distributions thereon which are declared payable after receipt of the redemption notice by Dundee REIT and the holder thereof shall be entitled to receive a price per REIT Unit (the “Redemption Price”) of a series equal to the lesser of:

- (a) 90% of “market price” of the REIT Units of such series on the principal market on which the REIT Units of such series are quoted for trading on the trading day prior to the day on which the REIT Units of such series were surrendered to Dundee REIT for redemption (the “Redemption Date”); and
- (b) 100% of the “closing market price” of the REIT Units of such series on the principal market on which the REIT Units of such series are quoted for trading on the Redemption Date.

For the purposes of this calculation, “market price” in respect of REIT Units of a series shall be an amount equal to the 20-day weighted average of the closing price of the REIT Units of such series for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the REIT Units of such series traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 20 trading days, the “market price” shall be the weighted average of the following prices established for each of the 20 trading days: (i) the weighted average of the last bid and last asking prices of the REIT Units for each day on which there was no trading; (ii) the closing price of the REIT Units of such series for each day on which there was trading if the exchange or market provides a closing price; and (iii) the weighted average of the highest and lowest prices of the REIT Units of such series for each day that there was trading if the exchange or market does not provide a closing price but provides only the highest and lowest prices of the REIT Units of such series traded on a particular day.

If a Unitholder is not entitled to receive cash upon redemption of REIT Units as a result of the limitations in (b) and (c) below, the Redemption Price will be equal to the fair market value of the REIT Units as determined by the Trustees.

The “closing market price” in respect of REIT Units of a series shall be (i) an amount equal to the closing price of the REIT Units of such series if there was a trade on the date and the exchange or market provides a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of the REIT Units of such series if there was trading and the exchange or other market does not provide a closing price but provides only the highest and lowest trading prices of the REIT Units of such series

traded on a particular day; or (iii) the weighted average of the last bid and last asking prices of the REIT Units of such series if there was no trading on that date.

For the purposes of determining the Redemption Price for any REIT Units, Series B tendered for redemption where the REIT Units, Series B are not listed for trading on any stock exchange or market, the foregoing rules for determining the Redemption Price for the REIT Units shall be modified and, in particular, the Redemption Price for the REIT Units, Series B shall be based upon the relevant market price of the REIT Units, Series A.

The aggregate Redemption Price payable by Dundee REIT in respect of any REIT Units tendered for redemption during any calendar month shall be satisfied by way of a cheque drawn on a Canadian chartered bank or a trust company in Canadian funds, payable no later than the last day of the calendar month following the month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitations that:

- (a) the total amount payable by Dundee REIT in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all REIT Units tendered for redemption in any particular calendar month;
- (b) at the time such REIT Units are tendered for redemption, the outstanding REIT Units of the applicable series (or, in the case of REIT Units, Series B where that series is not listed, the REIT Units Series A) shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units of such series; and
- (c) the normal trading of outstanding REIT Units of the applicable series (or, in the case of REIT Units, Series B where that series is not listed, the REIT Units Series A) is not suspended or halted on any stock exchange on which the REIT Units of such series are listed (or, if not listed on a stock exchange, on any market on which the REIT Units of such series are quoted for trading) on the Redemption Date for the REIT Units of such series or for more than five trading days during the ten day trading period commencing immediately after the Redemption Date for the REIT Units of such series.

The payment of the Redemption Price in cash in respect of REIT Units, Series A and REIT Units, Series B will be derived from different sources. In the case of REIT Units, Series A, the payment of the Redemption Price in cash will be satisfied solely from the bank account maintained for the benefit of holders of REIT Units, Series A. The payment of the Redemption Price for REIT Units, Series B will be satisfied solely from the bank account maintained for the benefit of holders of REIT Units, Series B.

If a Unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of the foregoing limitations in (b) and (c) above, then each REIT Unit tendered for redemption shall, subject to obtaining all applicable regulatory approvals, be redeemed by way of a distribution *in specie* of series 2 notes issued by OTA, in the case of REIT Units, Series A and series 2 notes issued by OTB, in the case of REIT Units, Series B. The aggregate principal amount of such series 2 notes would be equal to the Redemption Price per unit payable by Dundee REIT. However, no series 2 notes in a principal amount of less than \$100 will be distributed and, where the principal amount of series 2 notes to be received by the former unitholder upon redemption *in specie* would otherwise include a principal amount of less than a multiple of \$100, such principal amount will be rounded down to the next lowest multiple of \$100 and the excess will be distributed in cash. The term of such notes will be 10 years, less a day, subject to earlier repayment at the option of Dundee REIT, and they would bear interest at a market rate determined by the trustees of OTA or OTB, as applicable, at the time of issuance thereof, payable on the 30th day of each calendar month that such series 2 notes are outstanding. In such circumstances, series 1 notes and units of OTA and OTB, as the case may be, will be redeemed. The series 2 notes issued by OTA will then

be distributed in satisfaction of the Redemption Price of REIT Units, Series A and the series 2 notes issued by OTB will then be distributed in satisfaction of the Redemption Price of REIT Units, Series B.

If a Unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of the limitation in (a) above, the holder will receive a combination of cash, subject to obtaining all applicable regulatory approvals, series 2 notes of OTA or OTB, as the case may be, determined in accordance with the Declaration of Trust.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of REIT Units to dispose of their REIT Units. Notes of OTA or OTB which may be distributed to Unitholders *in specie* in connection with a redemption will not be listed on any stock exchange, no market is expected to develop and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. The notes of OTA and OTB so distributed may not be qualified investments for registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans, depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Special REIT Units will be redeemable for a nominal amount in the event of the surrender, exchange or sale to Dundee REIT of the related LP Class B Units, Series 1.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for the election or removal of Trustees (other than the DBI appointees), the appointment or removal of the auditors of Dundee REIT, the approval of amendments to the Declaration of Trust (except as described below under “Declaration of Trust and Description of REIT Units — Amendments to the Declaration of Trust and other Documents”), the sale or transfer of the assets of Dundee REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of Dundee REIT as approved by the Trustees) and the termination of Dundee REIT. Meetings of Unitholders will be called and held annually within 180 days after the end of the fiscal year of Dundee REIT for the election of the Trustees (except for the DBI appointees) and appointment of auditors of Dundee REIT, the Operating Trusts and Dundee Properties LP.

The Trustees shall have the power at any time to call special meetings of Unitholders at such time and place in Canada as the Trustees determine. Unitholders holding in the aggregate not less than 5% of the votes attaching to all outstanding REIT Units (on a fully diluted basis) may requisition the Trustees in writing to call a special meeting of Unitholders and the Trustees shall, subject to certain limitations, call a meeting of Unitholders. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding REIT Units (on a fully diluted basis) shall constitute a quorum for the transaction of business at all such meetings. In the case of a meeting of the holders of a series of REIT Units, a quorum shall consist of Unitholders who hold in the aggregate at least 10% of the votes attaching to all outstanding REIT Units of such series. If no quorum is present at any meeting of Unitholders when called, the meeting, if convened on the requisition of Unitholders, will be dissolved and otherwise will be adjourned for not less than 10 days, and at the adjourned meeting, the Unitholders then present in person or represented by proxy will form the necessary quorum.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Limitation on Non-Resident Ownership

In order for Dundee REIT to maintain its status as a mutual fund trust under the Tax Act, Dundee REIT must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, the Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the REIT Units then outstanding. The Trustees may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident or declarations from Unitholders as to whether such REIT Units are held for the benefit of Non-Residents.

If the Trustees become aware that the beneficial owners of 49% of the REIT Units then outstanding are, or may be, Non-Residents or that such a situation is or may be imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that he or she is not a Non-Resident and does not hold his or her REIT Units for the benefit of a Non-Resident. If, notwithstanding the foregoing, the Trustees determine that 49% of the REIT Units then outstanding are beneficially owned by Non-Residents, the Trustees may send a notice to Non-Resident holders of REIT Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell or redeem, within a specified period of not less than 60 days, all or a portion of their REIT Units. If the holders of REIT Units receiving such notice have not sold or redeemed the specified number of REIT Units or provided the Trustees with satisfactory evidence that they are not Non-Residents and do not hold their REIT Units for the benefit of a Non-Resident within such period, the Trustees may, on behalf of such holder of REIT Units, sell or redeem such REIT Units, and, in the interim, the Trustees shall suspend the voting and distribution rights attached to such REIT Units. Upon such sale or redemption, the affected holders shall cease to be holders of the REIT Units and their rights shall be limited to receiving the net proceeds of such sale upon surrender of the certificates representing such REIT Units.

Amendments to the Declaration of Trust and Other Documents

The Declaration of Trust may be amended or altered from time to time. Certain amendments (including the termination of Dundee REIT) require approval by at least 66²/₃% of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of the Unitholders called for such purpose.

The following amendments require the approval of at least 66²/₃% of the votes cast by all Unitholders entitled to vote thereon at a meeting called for that purpose:

- (a) an exchange, reclassification or cancellation of all or part of the REIT Units;
- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the REIT Units, including, without limiting the generality of the foregoing,
 - (i) the removal or change of rights to distributions; or
 - (ii) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights;
- (c) the creation of new rights or privileges attaching to certain of the REIT Units; and
- (d) any change to the existing constraints on the issue, transfer or ownership of the REIT Units.

In addition, the Declaration of Trust will provide that Dundee REIT will not agree to or approve any material change to the Properties Limited Partnership Agreement, the Operating Trust Declarations or the Exchange and Support Agreement without the approval of at least 66²/₃% of the votes cast at a meeting of Unitholders called for such purpose. However, no Unitholder approval will be required to approve any change to the Properties Limited Partnership Agreement for the purposes of providing a distribution reinvestment entitlement to holders of LP Class B Units, Series 1 that is substantially equivalent to that provided by the Distribution Reinvestment Plan to holders of REIT Units, Series A.

A majority of the Trustees, including a majority of the Independent Trustees, may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Trustees or Dundee REIT; (ii) the status of Dundee REIT as a “mutual fund trust”, “unit trust” and a “registered investment” under the Tax Act; or (iii) the distribution of REIT Units;
- (b) which, in the opinion of the Trustees, acting reasonably, are necessary to maintain the rights of the Unitholders set out in the Declaration of Trust;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws;
- (e) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable;
- (f) deemed necessary or desirable to ensure that Dundee REIT has not been established nor maintained primarily for the benefit of persons who are not resident Canadians; and
- (g) to implement a distribution reinvestment plan or any amendments to such plan.

Prior to the Effective Date, the Declaration of Trust may be amended without Unitholder approval.

Effect of Termination

Upon the termination of Dundee REIT, the liabilities of Dundee REIT shall be discharged forthwith, the net assets of Dundee REIT shall be liquidated and the proceeds of such liquidation shall be distributed to the Unitholders. Such distribution may be made in cash, as a distribution in kind, or both, all as the Trustees in their sole discretion may determine. Subject to applicable law, each holder of a REIT Unit, Series A will be entitled to receive an amount per REIT Unit, Series A equal to the holder's *pro rata* share of the assets of Dundee REIT derived from OTA. Each holder of a REIT Unit, Series B will be entitled to receive an amount per REIT Unit, Series B equal to the holder's *pro rata* share of the assets of Dundee REIT derived from OTB. Each holder of a Special REIT Unit will be entitled to receive a nominal amount upon liquidation. On the termination of Dundee REIT, the Trustees will be required to take all reasonable steps to ensure that the amount and timing of any distribution in respect of each REIT Unit, Series A and REIT Unit, Series B are the same.

Pursuant to the Declaration of Trust, the termination of Dundee REIT, other than on the expiry of its term, requires approval by at least 66²/₃% of the votes cast at a meeting of the Unitholders called for that purpose.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid, as defined under the *Securities Act* (Ontario), is made for the REIT Units and not less than 90% of the REIT Units (including REIT Units issuable upon the surrender or exchange of any securities for REIT Units but not including any REIT Units held at the date of the take-over bid by or on behalf of the offeror or affiliates and associates of the offeror) have been or are legally required to be taken up and paid for by the offeror, the offeror will be entitled to acquire the REIT Units held by the remaining Unitholders who did not accept the take-over bid by requiring such Unitholders to elect (a) to transfer their REIT Units to the offeror on

the terms on which the offeror acquired the REIT Units of the offerees who accepted the take-over bid or (b) to demand payment of the fair value of the REIT Units.

As a significant holder of Common Shares, DBI cannot sell Common Shares where such sale would constitute a take-over bid (as defined in applicable securities legislation) unless either the bid is made generally to all holders of Common Shares on the same terms or is exempt from the take-over bid rules. DBI will enter into such agreements, or the Declaration of Trust will be amended, prior to the Effective Date, as may be required by the TSX, in order to ensure that holders of REIT Units, Series A have similar protections in the event a take-over bid is made for LP Class B Units, Series 1 and/or REIT Units, Series B held by DBI and its affiliates and such take-over bid would have required the same offer to be made to all holders of REIT Units, Series A under such legislation, if the securities held by DBI and/or its affiliates had been REIT Units, Series A. Such agreements shall permit sales by DBI and/or its affiliates to be made on a basis which is exempt from the take-over bid rules as, in such circumstances, such protections would not apply under applicable legislation.

Information and Reports

Dundee REIT will furnish, in accordance with and subject to applicable securities legislation, to Unitholders such consolidated financial statements of Dundee REIT (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or any special meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

DISTRIBUTION POLICY

The following outlines the distribution policy of Dundee REIT as contained in the Declaration of Trust, but is not intended to be a complete description. You should refer to the Declaration of Trust for the full text of Dundee REIT's distribution policy. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders.

General

Dundee REIT currently intends to make cash distributions to holders of REIT Units, Series A and REIT Units, Series B on or about each monthly Distribution Date respectively equal to at least 80% of Distributable Series A Income and Distributable Series B Income on an annualized basis. Initially, no REIT Units, Series B will be outstanding. However, holders of LP Class B Units, Series 1 may surrender such units in exchange for REIT Units, Series B in accordance with the Properties Limited Partnership Agreement. Prior to such surrender, holders of LP Class B Units, Series 1 will be entitled to receive distributions from Dundee Properties LP *pro rata* with distributions made by Dundee REIT on REIT Units, Series A and REIT Units, Series B. If the Trustees determine that it would be in the best interests of Dundee REIT, they may reduce for any period the percentage of such Distributable Series A Income and Distributable Series B Income to be distributed to the applicable Unitholders, which will result in corresponding reduction in distributions on LP Class B Units, Series 1. Distributions in respect of a month will be paid on or about each Distribution Date to such Unitholders of record as at the close of business on each Distribution Record Date. In addition, on December 31 of each year, Dundee REIT will make payable to such Unitholders, and such Unitholders will have an enforceable right to payment on such date of, a distribution of sufficient net realized capital gains, net income, and net recapture income for the taxation year ending on that date, net of any capital losses or non capital losses recognized on or before the end of such year such that Dundee REIT will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15th. The Trustees will be required to take the necessary steps to ensure that the amount and timing of

distributions on each REIT Unit, Series A and REIT Unit, Series B are the same. Distributions payable on the Special REIT Units, however, will be nominal.

Where the Trustees determine that Dundee REIT does not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Trustees, include the issuance of additional REIT Units, Series A and REIT Units, Series B, as the case may be, or fractions of such REIT Units, Series A and REIT Units, Series B, as the case may be, if necessary, having a fair market value as determined by the Trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution in the case of REIT Units, Series A and REIT Units, Series B, respectively. Notwithstanding the foregoing, distributions on the Special REIT Units will only be made in cash.

Unless the Trustees determine otherwise, immediately after any *pro rata* distribution of additional units to holders of REIT Units, Series A and REIT Units, Series B, the number of the outstanding REIT Units, Series A and REIT Units, Series B, respectively, will automatically be consolidated such that each of such holders will hold after the consolidation the same number of REIT Units, Series A and REIT Units, Series B, respectively, as such holder held before the distribution of additional units. Each unit certificate representing the number of units prior to the distribution of additional units will be deemed to represent the same number of units after the non-cash distribution of additional units and the consolidation. In no case will REIT Units, Series A be consolidated with REIT Units, Series B or *vice versa*.

Notwithstanding the foregoing, where tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will result in such unitholder holding that number of units equal to (i) the number of units held by such unitholder prior to the distribution plus the number of units received by such unitholder in connection with the distribution (net of the number of whole and part units withheld on account of withholding taxes) multiplied by (ii) the fraction obtained by dividing the aggregate number of units outstanding prior to the distribution by the aggregate number of units that would be outstanding following the distribution and before the consolidation if no withholding were required in respect of any part of the distribution payable to any unitholder. Such unitholder will be required to surrender the unit certificates, if any, representing such unitholder's original units, in exchange for a unit certificate representing such unitholder's post-consolidation units.

Tax Deferral on Distributions

Dundee REIT estimates that, of the distributions to be made by Dundee REIT to Unitholders, during the remainder of 2003 and in 2004, approximately 40% will be tax deferred by reason of their characterization as non-taxable amounts. The tax deferred portion of such distributions is dependent on the nature of the distributions received by Dundee REIT from OTA and OTB. The extent to which distributions will be tax deferred in the future will indirectly depend in part on the extent to which Dundee Properties LP and the partnerships of which it is a partner claim capital cost allowance in respect of the revenue producing properties and any other depreciable assets held by them. Accordingly, the actual amount of the tax deferral may vary from Dundee REIT's estimates. The adjusted cost base of REIT Units held by a Unitholder will generally be reduced by the tax deferred portion of distributions made to the Unitholder other than the non-taxable portion of certain capital gains. A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's REIT Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any REIT Units. See "Certain Canadian Federal Income Tax Considerations".

Distribution Reinvestment Plan

Following the completion of the Acquisition and subject to regulatory approval, Dundee REIT intends to adopt a distribution reinvestment plan (the "Distribution Reinvestment Plan") pursuant to which holders of REIT Units, Series A will be entitled to elect to have all cash distributions of Dundee REIT

automatically reinvested in additional REIT Units, Series A at a price per REIT Unit, Series A calculated by reference to a weighted average trading price for REIT Units, Series A on the TSX preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of REIT Units, Series A of not less than 4% of each distribution that was reinvested by them. No brokerage commissions will be payable in connection with the purchase of REIT Units, Series A under the Distribution Reinvestment Plan and all administrative costs will be borne by Dundee REIT. Proceeds received by Dundee REIT upon the issuance of additional REIT Units, Series A under the Distribution Reinvestment Plan will be used by Dundee REIT for future property acquisitions, capital improvements and working capital. The Distribution Reinvestment Plan may restrict or prohibit non-residents of Canada from participating in such plan. The terms of such plan will be determined following the completion of the Acquisition and details and enrolment documents regarding the Distribution Reinvestment Plan will be forwarded to registered holders of REIT Units, Series A. The issue of REIT Units, Series A under the Distribution Reinvestment Plan may not be exempt from the registration and prospectus requirements of relevant securities legislation in certain provinces of Canada. In addition, the REIT Units, Series A issued under the Distribution Reinvestment Plan may not be freely tradable under the provisions of such legislation until Dundee REIT has been a reporting issuer for at least 12 months. Dundee REIT intends to make applications for discretionary relief from the applicable securities regulatory authorities in order to permit such REIT Units, Series A to be issued and to be freely tradable.

INFORMATION CONCERNING THE OPERATING TRUSTS

The Operating Trust Declarations contain provisions that are substantially similar to those contained in the Declaration of Trust of Dundee REIT. As the OTA Declaration of Trust and the OTB Declaration of Trust are substantially identical, the information in this section entitled “Information Concerning the Operating Trusts” refers only to information concerning OTA. Accordingly, for information concerning OTB, references in this section to OTA, REIT Units, Series A or LP Class A Units should generally be read as references to OTB, REIT Units, Series B and LP Class B Units, Series 2, respectively.

Some of the principal differences between the OTA Declaration of Trust and the Declaration of Trust are set out below.

General

OTA is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to the OTA Declaration of Trust. OTA will qualify as a “unit trust” pursuant to the Tax Act on the basis that its units are redeemable on demand by the holder thereof. OTA is a limited purpose trust and its activities are restricted to, among other things, (i) investing in cash and securities, including those issued by Dundee Properties LP; (ii) issuing OTA Units; (iii) issuing debt securities, including the series 1 notes and series 2 notes of OTA; (iv) redeeming OTA Units; (v) guaranteeing the obligations of its subsidiaries (other than OTB and Dundee REIT) pursuant to any good faith debt for borrowed money incurred by such subsidiary and pledging securities held by OTA as security for such guarantee; and (vi) satisfying the obligations, liabilities or other indebtedness of OTA. OTA may also carry on such other activities as may be reasonably incidental to the foregoing or necessary in connection with the performance by the trustees of OTA of their obligations under any agreement to which they are or may become a party for such purposes or in connection with such activities.

Investment Guidelines

The OTA Declaration of Trust states that, following the Effective Date, the assets of OTA shall only invest in LP Class A Units, debt of Dundee Properties LP, amounts receivable in respect of such LP Class A Units and debt, cash or deposits of a Canadian chartered bank or trust company. The OTA

Declaration of Trust also provides that OTA shall not make or permit a subsidiary to make any investment that would result in:

- (a) the REIT Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit-sharing plans;
- (b) the REIT Units being foreign property for the purpose of the Tax Act for any such plan (other than registered education savings plans);
- (c) Dundee REIT being liable under the Tax Act to pay a tax imposed under Part XI of the Tax Act; or
- (d) Dundee REIT ceasing or failing to qualify as a “mutual fund trust” or “registered investment” and OTA ceasing to qualify as a “unit trust” each within the meaning of the Tax Act.

Operating Policies

The OTA Declaration of Trust provides that, following the Effective Date, the operations and affairs of OTA will be conducted in accordance with the following policies and that OTA will not permit any subsidiary to conduct its operations and affairs other than in accordance with the following policies:

- (a)(i) any written instrument creating an obligation which is or includes the granting by Dundee Properties LP of a mortgage; or
- (ii) to the extent the trustees of OTA determine to be practicable and consistent with their fiduciary duty to act in the best interests of OTA unitholders, any written instrument which in the judgment of the trustees of OTA is a material obligation;

must, in each case, contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the trustees of OTA, unitholders, annuitants under a plan of which a unitholder acts as a trustee or carrier or officers, employees or agents of OTA but that only property of OTA or a specific portion thereof will be bound; and
- (b) OTA shall not underwrite, sell or market, or participate in the underwriting, selling or marketing of securities other than OTA Units and other securities of OTA.

Amendments to OTA Declaration of Trust

Pursuant to the OTA Declaration of Trust, the trustees of OTA are prohibited from making any amendment to any of the investment guidelines or operating policies set forth above or any other material change to the OTA Declaration of Trust without the approval of unitholders of OTA.

Prior to the Effective Date, the OTA Declaration of Trust may be amended without the approval of unitholders of OTA.

Redemption Right

The OTA Declaration of Trust provides that the OTA Units will be redeemable at any time on demand by the holders thereof upon delivery to OTA of a duly completed and properly executed notice requiring OTA to redeem the OTA Units, in a form reasonably acceptable to the trustees of OTA, together with the certificates representing the OTA Units to be redeemed and written instructions as to the number of OTA Units to be redeemed. Upon tender of the OTA Units by a holder thereof for redemption, the holder of the OTA Units tendered for redemption will no longer have any rights with respect to such OTA Units (other than the right to receive the redemption price for such OTA Units) including the right to receive distributions thereon which are declared payable to unitholders of record on a date which is

subsequent to the day of receipt by OTA of the redemption notice. The redemption price for each of the OTA Units tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

Where:

A = the cash redemption price per REIT Unit, Series A calculated as of the close of business on the date the OTA Units were so tendered for redemption by a holder thereof;

B = the aggregate number of REIT Units, Series A outstanding as of the close of business on the date the OTA Units were so tendered for redemption by a holder thereof;

C = (i) the aggregate unpaid principal amount and accrued interest thereon of the OTA Notes held by or owed to Dundee REIT and the fair market value of any other assets or investments held by Dundee REIT reasonably considered to be attributable to and derived from OTA (other than OTA Units) as of the close of business on the date the OTA Units were so tendered for redemption by a holder thereof minus (ii) the aggregate unpaid principal of any indebtedness and any accrued liabilities owed by Dundee REIT reasonably considered to be attributable to OTA; and

D = the aggregate number of OTA Units outstanding held by Dundee REIT as of the close of business on the date the OTA Units were so tendered for redemption by a holder thereof.

The trustees of OTA will also be entitled to call for redemption, at any time, all or part of the outstanding OTA Units registered in the name of Dundee REIT or any other holder of OTA Units at the same redemption price as described above for each OTA Unit called for redemption calculated with reference to the date the trustees of OTA approved the redemption of the OTA Units.

The aggregate redemption price payable by OTA in respect of any OTA Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the trustees of OTA, in immediately available funds by cheque or by such other manner of payment approved by the trustees of OTA from time to time.

In certain circumstances, OTA may satisfy the redemption price in respect of the OTA Units by issuing series 2 notes of OTA.

Cash Distributions

OTA will distribute to Dundee REIT, to the extent possible, and Dundee REIT will have the right to receive, not less than one-twelfth of the distributable income of OTA on an annualized basis, based on the estimated distributable income of OTA for the calendar year. Such distributions will be made on or about the tenth Business Day following each calendar month end and are intended to be received by Dundee REIT prior to its related cash distribution to Unitholders. If the trustees of OTA determine that it would be in the best interests of OTA, they may reduce for any period the percentage of distributable income to be distributed to Dundee REIT and may choose to repay principal on the series 1 notes of OTA in lieu of making distributions. In addition, on December 31 of each year, OTA will make payable to its unitholder, and its unitholder will have an enforceable right to payment on such date of, a distribution of sufficient net realized capital gains, net income, and net recapture income for the taxation year ending on that date, net of any capital losses or non capital losses recognized on or before the end of such year such that OTA will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 10th.

Notwithstanding the foregoing, if the trustees of OTA determine that OTA does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional OTA Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the trustees of OTA to be available for

the payment of such distribution. The value of each OTA Unit so issued will be the redemption price thereof.

Any OTA Units transferred to Unitholders pursuant to a distribution *in specie* may be subject to resale and transfer restrictions under applicable securities laws.

Operating Trust Notes

The OTA Notes issuable by OTA will be issuable in series in Canadian currency. The OTA Notes will be issuable in denominations of \$100.00 and integral multiples of \$100.00. No fractional OTA Notes will be issued and where the number of OTA Notes to be received by a noteholder includes a fraction, such number shall be rounded to the next lowest \$100.00 denomination.

Series 1 notes of OTA will be issued to Dundee REIT. Series 2 notes will be reserved by OTA to be issued exclusively as full or partial payment of the redemption price of the series 1 notes of OTA and the OTA Units.

Interest and Maturity

Series 1 notes of OTA will be issued at the Effective Date to Dundee REIT and will be payable on demand, but will have a maximum term of ten years, less a day. Such notes will bear interest at a rate of up to a maximum of 6% per annum. Each series 2 note of OTA will have a term not to exceed 25 years from the date of its issue and will bear interest at a market rate to be determined by OTA, at the time of issuance thereof, payable on the 30th day of each calendar month that each series 2 note is outstanding.

Payment on Maturity

On maturity, OTA will repay its series 2 notes by paying to the OTA Note Trustee under the OTA Note Indenture, in cash, an amount equal to the principal amount of the outstanding series 2 notes of OTA which have then matured, together with accrued and unpaid interest thereon.

Redemption

The OTA Notes will be redeemable at the option of the OTA prior to maturity.

Subordination/Security

Payment of the principal amount and interest on the OTA Notes will be subordinated in right of payment to the prior payment in full of the principal of, and accrued and unpaid interest on, all other amounts owing in respect of all senior indebtedness, which will be defined as all indebtedness, liabilities and obligations of OTA which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the OTA Note Indenture. The OTA Note Indenture provides that upon any distribution of the assets of OTA in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to OTA, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the OTA Notes are entitled to receive any payment.

Default

The OTA Note Indenture provides that any of the following shall constitute an event of default:

- (a) default in payment of the principal of the OTA Notes when the same becomes due and the continuation of such default for a period of ten Business Days;
- (b) default in payment of any interest due on any OTA Notes and continuation of such default for a period of ten Business Days;

- (c) default in the observance or performance of any other covenant or condition of the OTA Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the OTA Note Trustee specifying such default and requiring OTA to rectify the same; and
- (d) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to OTA. The provisions governing an event of default under the OTA Note Indenture and remedies available thereunder do not provide protection to the holders of OTA Notes which would be comparable to the provisions generally found in debt securities issued to the public.

Subordination Agreements

Pursuant to the terms of the OTA Note Indenture, the OTA Note Trustee may enter into subordination agreements with the holders of certain senior indebtedness under which the OTA Note Trustee, on behalf of the holders of OTA Notes, may agree directly with a holder of senior indebtedness in implementation of and/or in addition to the subordination terms described under “Subordination/Security” above. The OTA Note Trustee may give a holder of senior indebtedness a power of attorney to be exercised in any creditor proceedings to enforce the terms thereof. The OTA Note Trustee may also agree to ensure any transferee of OTA Notes (or other securities of OTA) agrees to be bound by the provisions of the subordination agreements.

Operating Trust Units

As the OTA Units are not likely to be issued to or held by any person other than Dundee REIT, registration of interests in, and transfers of, the OTA Units will not be made through the book-entry only system administered by Canadian Depository for Securities Limited. Rather, holders of the OTA Units will be entitled to receive certificates therefor.

INFORMATION CONCERNING DUNDEE PROPERTIES LP

General

Dundee Properties LP is a limited partnership formed under the laws of the Province of Ontario. Following the completion of the Acquisition, Dundee Properties LP will hold all of the direct and indirect interests in the RP Properties.

Properties General Partner

Properties General Partner is the general partner of Dundee Properties LP and does not currently own any assets or carry on business. Properties General Partner is a wholly-owned subsidiary of the Corporation. Michael J. Cooper, Jeff B. Barnes and Peter A. Crossgrove will be the initial directors and officers of Properties General Partner. Upon completion of the Acquisition, a majority of the directors of Properties General Partner will not be the same individuals as the Trustees of Dundee REIT. Pursuant to the Arrangement, all of the outstanding shares of Properties General Partner will be transferred to Dundee REIT for a nominal amount of cash. Pursuant to the Properties Limited Partnership Agreement, DBI will have the right to appoint one director of Properties General Partner. See “The Acquisition Agreement and the Plan of Arrangement — Acquisition Agreement”.

Partnership Units

Dundee Properties LP is authorized to issue two initial units of Dundee Properties LP (the “LP Initial Units”), an unlimited number of two classes of limited partnership units, the LP Class A Units and the LP Class B Units, and such other classes of partnership interests as Properties General Partner may decide from time to time. The LP Class B Units will be issuable in two series: LP Class B Units, Series 1 and LP Class B Units, Series 2. Prior to the Acquisition, each of DCP and the Corporation will be the holder of one LP Initial Unit. Upon completion of the Acquisition, the LP Class A Units will

be held by OTA, the LP Class B Units, Series 1 will be held by the Corporation and DCP and OTB will be the holder of one LP Class B Unit, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special REIT Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the REIT Units, Series A and REIT Units, Series B. In particular, subject to certain limitations contained in the Properties Limited Partnership Agreement and the Exchange and Support Agreement, each LP Class B Unit, Series 1 will entitle the holder thereof to receive a distribution from Dundee Properties LP equal to the amount of a distribution declared by Dundee REIT on a REIT Unit, Series B, or, if no such distribution is declared, on a REIT Unit, Series A. Additional principal terms of the LP Class B Units, Series 1 are as follows: (i) the LP Class B Units, Series 1 may be surrendered or, if such surrender cannot be effected, indirectly exchanged, on a one-for-one basis (subject to customary anti-dilution provisions) for REIT Units, Series B at the option of the holder, at any time unless this would jeopardize Dundee REIT's status as a "unit trust", "mutual fund trust" or "registered investment" under the Tax Act; (ii) each LP Class B Unit, Series 1 will be accompanied by a Special REIT Unit which will entitle the holder thereof to receive notice of, to attend and to vote at all meetings of Unitholders (except in respect of LP Class B Units, Series 1 previously surrendered or exchanged); and (iii) except as required by law and in certain specified circumstances where the rights of a holder of LP Class B Units, Series 1 are affected, holders of the LP Class B Units, Series 1 are not entitled to vote at any meeting of the limited partners of Dundee Properties LP.

Dundee Properties LP, Dundee REIT and the holders of LP Class B Units, Series 1 will enter into any agreements necessary to give effect to the foregoing terms of the LP Class B Units, Series 1, including the Exchange and Support Agreement.

Pursuant to the Declaration of Trust and the Exchange and Support Agreement, if an offer, issuer bid, take-over bid or similar transaction with respect to the REIT Units, Series A and the REIT Units, Series B is proposed by Dundee REIT or is proposed to Dundee REIT or holders of REIT Units, Series A and REIT Units, Series B, or is otherwise effected or to be effected with the consent or approval of the Trustees, and the LP Class B Units, Series 1 are not acquired by Dundee Properties LP or exchanged for REIT Units, Series B, Dundee REIT will, expeditiously and in good faith, take all such actions and do all such things as are necessary or desirable to enable and permit holders of those LP Class B Units, Series 1 to participate in such offer to the same extent and on an economically equivalent basis as the holders of REIT Units, Series A and REIT Units, Series B, without discrimination. Without limiting the generality of the foregoing, Dundee REIT will ensure that holders of LP Class B Units, Series 1 may participate in all such offers without being required to surrender such units for withdrawal or exercise their right to exchange such units (or, if so required, to ensure that any such exchange will be effective only upon, and will be conditional upon, the closing of the offer and only to the extent necessary to tender to or deposit under the offer).

A holder of LP Class B Units, Series 1 who does not wish to receive monthly distributions from Dundee Properties LP in cash will be entitled to elect one of the following alternate methods of distribution. A holder of LP Class B Units, Series 1 may elect to reinvest all or any portion of any distribution declared by Dundee Properties LP to be payable on the holder's LP Class B Units, Series 1 that would otherwise be paid in cash to such holder. The amount of the distribution elected to be reinvested will be deemed for all purposes under the Properties Limited Partnership Agreement (i) to be paid to and received by such holder on the payment date for such distribution and (ii) to be reinvested by such holder as the subscription price for additional LP Class B Units, Series 1 or as the purchase price for REIT Units, Series A or REIT Units, Series B. The number of additional LP Class B Units, Series 1, REIT Units, Series A or REIT Units, Series B acquired by such holder on the reinvestment will be determined by dividing the amount of the distribution elected to be reinvested by the 20-day weighted average trading price of REIT Units, Series A determined as of the payment date for such distribution. Dundee Properties LP will be entitled under the Exchange and Support Agreement to obtain the requisite number of REIT Units, Series A or REIT Units, Series B to fulfill its obligations to deliver REIT Units, Series A or REIT Units, Series B to holders of LP Class B Units, Series 1 in such circumstances.

Alternatively, a holder of LP Class B Units, Series 1 may elect to receive a loan from Dundee Properties LP equal to all or a portion of a distribution declared by Dundee Properties LP and to have the aggregate of such amount distributed to such holder on the first Business Day following the end of the fiscal year in which the loan was made. Such loans will not bear interest and will be due and payable in full on the first Business Day following the end of the fiscal year during which the loan was made. In addition, in the event that the Distribution Reinvestment Plan is adopted by Dundee REIT following completion of the Acquisition, the Properties Limited Partnership Agreement will be amended in order to provide distribution reinvestment features for holders of LP Class B Units, Series 1 substantially equivalent to those provided by the Distribution Reinvestment Plan for holders of REIT Units, Series A.

Pursuant to the Acquisition, the Corporation and DCP will subscribe for 6,909,245 LP Class B Units, Series 1 of Dundee Properties LP. The LP Class B Units, Series 1 may also be issued in respect of other acquisitions made by Dundee Properties LP from time to time, with the consent of all of the holders of LP Class B Units, Series 1.

The LP Class B Units, Series 2 have terms similar to those attached to the LP Class B Units, Series 1, except that the holders of LP Class B Units, Series 2 (i) are not entitled to receive REIT Units, Series B in the event of a full or partial surrender of the LP Class B Units, Series 2 or upon the liquidation, dissolution or winding up of Dundee Properties LP; (ii) are not entitled to elect to reinvest the cash distributions payable on the LP Class B Units, Series 2 in additional LP Class B Units, Series 2 or to elect to receive a loan from Dundee Properties LP in an amount equal to the cash distributions payable on the LP Class B Units, Series 2; and (iii) are entitled to receive notice of, to attend and vote at all meetings of the partners of Dundee Properties LP, but will not be entitled to receive notice of, to attend or vote at meetings of the Unitholders. Upon completion of the Acquisition, OTB will be the holder of the one outstanding LP Class B Unit, Series 2.

The LP Class A Units have terms substantially similar to those attached to the LP Class B Units, Series 2. Upon completion of the Acquisition, OTA will own all of the issued and outstanding LP Class A Units.

Sale of REIT Units, Series B

The Exchange and Support Agreement will provide holders of LP Class B Units, Series 1 with the right to require Dundee REIT to prepare a prospectus to qualify for distribution to the public the REIT Units, Series B acquired upon the surrender or exchange of LP Class B Units, Series 1. Such holder may exercise this right once per year, and five times in total. Pursuant to the Exchange and Support Agreement, if Dundee REIT proposes to qualify for distribution any REIT Units under applicable securities legislation, a holder of LP Class B Units, Series 1 or REIT Units, Series B may request that Dundee REIT use commercially reasonable efforts to also qualify such holder's REIT Units, Series B, unless the underwriters or agents for such offering determine that including such units in the offering would materially adversely affect the offering by Dundee REIT. All expenses related to such prospectus distributions will be borne by Dundee REIT, except for underwriters' fees attributable to the REIT Units, Series B sold by the holder of LP Class B Units, Series 1 or REIT Units, Series B, which shall be borne by such holder.

Investment Guidelines

The Properties Limited Partnership Agreement provides for certain restrictions on investments which may be made by or on behalf of Dundee Properties LP. These investment guidelines are set out below and apply only to investments proposed to be made after the Effective Date.

- (a) Notwithstanding any other provision set out below, Dundee Properties LP shall not make any investment that would result in:
 - (i) REIT Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans;
 - (ii) Dundee REIT, OTA or OTB being liable under the Tax Act to pay a tax imposed under Part XI of the Tax Act, including, without limitation, as a result of holdings by Dundee REIT of foreign property as defined in the Tax Act;
 - (iii) REIT Units being foreign property for the purpose of the Tax Act for any registered retirement savings plan, registered retirement income fund or deferred profit sharing plan; or
 - (iv) Dundee REIT ceasing or failing to qualify as a “mutual fund trust” or a “registered investment” for the purposes of the Tax Act;
- (b) Dundee Properties LP shall not acquire any single asset if the cost to Dundee Properties LP of such acquisition (net of the amount of debt incurred or assumed in connection with such investment and secured by such asset) will exceed 15% of the Adjusted Unitholders’ Equity of Dundee REIT;
- (c) except for the joint ventures existing as of the date of the Properties Limited Partnership Agreement, Dundee Properties LP may invest in a joint venture arrangement only if:
 - (i) the arrangement is an arrangement pursuant to which Dundee Properties LP holds an interest in real property jointly or in common with others (“joint venturers”) either directly or through the ownership of securities of a corporation (“joint venture corporation”) formed and operated solely for the purpose of acquiring, holding, maintaining, improving, leasing or managing a particular real property or properties or interests therein;
 - (ii) Dundee Properties LP’s interest in the joint venture arrangement is an interest of not less than 25% that is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of the joint venturers;
 - (iii) Dundee Properties LP has a right of first offer or a right of first refusal to buy the interests of the other joint venturers in the joint venture arrangement;
 - (iv) Dundee Properties LP has the ability to provide input in the management decisions of such joint venture arrangement;
 - (v) the joint venture arrangement provides an appropriate buy-sell mechanism to enable Dundee Properties LP to cause the joint venturers to purchase Dundee Properties LP’s interest or to sell their interests to Dundee Properties LP;
 - (vi) Dundee Properties LP has received a legal opinion to the effect that the investment would not contravene (a) above; and
 - (vii) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party provisions of the Properties Limited Partnership Agreement has been entered into in accordance with such provisions;

provided that, notwithstanding the foregoing, Dundee Properties LP may from time to time acquire from another person, that person's interest in any existing joint venture arrangement which does not comply with any of subparagraphs (ii), (iii) or (iv) above if Properties General Partner determines that the investment is desirable for Dundee Properties LP and is otherwise in compliance with the investment guidelines and the operating policies of Dundee Properties LP established in accordance with the Properties Limited Partnership Agreement and in effect at such time;

- (d) unless otherwise permitted by the investment guidelines of Dundee Properties LP, except for temporary investments held in cash, deposits with a Canadian or United States chartered bank or trust company registered under the laws of a province of Canada, in short-term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank maturing prior to one year from the date of issue, Dundee Properties LP may not hold securities other than (i) currency or interest rate futures contracts for hedging purposes to the extent permitted by National Instrument 81-102 of the Canadian Securities Administrators; (ii) securities of a joint venture entity or a partnership as contemplated in these investment guidelines, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by Dundee Properties LP, or an entity wholly-owned by Dundee Properties LP formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer unless either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the ownership or operation, directly or indirectly, of real property (in each case as determined by Properties General Partner);
- (e) except for U.S. property owned directly or indirectly by the Corporation or Dundee Properties LP on the Effective Date, Dundee Properties LP will not make any investment in a U.S. property unless Dundee Properties LP has obtained a favourable opinion (as determined by Properties General Partner) from legal counsel to the effect that the making of the investment should not result in interest paid by any U.S. entity in which Dundee Properties LP, directly or indirectly, owns an interest to any affiliate of Dundee Properties LP ceasing to be deductible for U.S. federal income tax purposes or becoming subject to U.S. withholding tax and an unqualified opinion from counsel that making such investment would not cause Dundee REIT to be subject to tax under Part XI or cause the REIT Units to be "foreign property" for purposes of the Tax Act.
- (f) unless otherwise permitted by the investment guidelines of Dundee Properties LP, Dundee Properties LP shall invest only in equity interests in revenue producing real property (including fee ownership and leasehold interests);
- (g) Dundee Properties LP will not indirectly invest in operating businesses unless such investment is incidental to a transaction:
 - (i) where revenue will be derived, directly or indirectly, principally from real property; or
 - (ii) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by Properties General Partner);
- (h) notwithstanding the investment guidelines of Dundee Properties LP, and other than Dundee Properties LP's interests in the limited partnerships acquired on the Effective Date, Dundee Properties LP shall not invest in or acquire interests in general partnerships or limited partnerships unless:
 - (i) the partnership is formed and operated solely for the purpose of acquiring, holding, maintaining, improving, leasing or managing a particular real property or properties or

interests therein that is capital property of the partnership for the purposes of the Tax Act;

- (ii) Dundee Properties LP's interest in the partnership, and the partnership's interest in the particular real property or properties, is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of any other partner or any affiliate thereof;
- (iii) Dundee Properties LP has a right of first offer or right of first refusal to buy the interests of the other partners;
- (iv) the partnership agreement provides an appropriate buy-sell mechanism to enable Dundee Properties LP to cause the other partners to purchase Dundee Properties LP's interest or to sell their interests to Dundee Properties LP; and
- (v) Dundee Properties LP has received a legal opinion to the effect that the investment does not contravene (a) above,

provided that, notwithstanding the foregoing, Dundee Properties LP may from time to time enter into any general partnership or limited partnership arrangement which does not comply with any of subparagraphs (ii), (iii) or (iv) above if Properties General Partner determines that the investment is desirable for Dundee Properties LP and is otherwise in compliance with the investment guidelines and the operating policies established in accordance with the Properties Limited Partnership Agreement and in effect at such time;

- (i) Dundee Properties LP shall not invest in or acquire securities of a Canadian real estate investment trust unless:
 - (i) the activities of the real estate investment trust are focused on acquiring, holding, maintaining, improving, leasing or managing primarily commercial revenue producing properties; and
 - (ii) in the case of any proposed investment or acquisition which would result in Dundee Properties LP owning beneficially more than 10% of the outstanding units of such real estate investment trust (the "acquired trust"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of Dundee Properties LP and the acquired trust or for otherwise ensuring that Dundee Properties LP will control the business and operations of the acquired trust;
- (j) Dundee Properties LP shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (k) Dundee Properties LP will invest in a mortgage or mortgage bonds (including participating or convertible mortgages) only where:
 - (i) the real property which is security therefor is income producing real property which otherwise meets the investment guidelines of Dundee Properties LP;
 - (ii) the mortgage is a first mortgage registered on title to the real property which is security therefor;
 - (iii) the amount of the mortgage loan is not in excess of 75% of the appraised value of the property securing the mortgage; and
 - (iv) the aggregate value of the investments of Dundee Properties LP in mortgages, after giving effect to the proposed investment, will not exceed 10% of the Adjusted Unitholders' Equity of Dundee REIT;

provided that, notwithstanding the foregoing, Dundee Properties LP may invest in mortgages if the sole intention is to use the acquisition of the mortgages as a method of acquiring

control of a revenue producing real property which would otherwise meet the Investment Guidelines of Dundee Properties LP and provided that the aggregate value of the investments of Dundee Properties LP in these mortgages will not exceed 10% of Adjusted Unitholders' Equity and provided that Dundee Properties LP has an option to acquire a 100% interest in the subject property or properties;

- (l) Dundee Properties LP shall not invest in raw land (except for the acquisition of properties adjacent to existing properties of Dundee Properties LP for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of Adjusted Unitholders' Equity of Dundee REIT);
- (m) Dundee Properties LP may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by Dundee REIT and secured by a mortgage on such property) up to 10% of the Adjusted Unitholders' Equity of Dundee REIT in investments or transactions which do not comply with the investment guidelines of Dundee Properties LP, so long as the investment does not contravene (a) above;
- (n) Subject to the qualifications in (e) above, Dundee Properties LP shall only invest in revenue producing properties located within Canada and the United States; and
- (o) Dundee Properties LP shall not invest in hotels or buildings with unsold residential condominium units except in cases where Dundee Properties LP is buying the entire condominium building.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a subsidiary wholly-owned by Dundee Properties LP will be deemed to be those of Dundee Properties LP on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Operating Policies

The Properties Limited Partnership Agreement provides that, following the Effective Date, the operations and affairs of Dundee Properties LP will be conducted in accordance with the following operating policies:

- (a) Dundee Properties LP will not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market rental in excess of 15% of the Adjusted Unitholders' Equity of Dundee REIT; provided, however, that this limitation will not apply to the renewal of a lease or sublease existing on the Effective Date;
- (b) Dundee Properties LP shall not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with all other property being leased by Dundee Properties LP to the vendor and its affiliates is in excess of 15% of the Adjusted Unitholders' Equity of Dundee REIT;
- (c) the limitations referred to in paragraphs (a) and (b) will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:
 - (i) the Government of Canada, the Government of the United States, the Government of any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof;
 - (ii) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or

sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by Properties General Partner in their discretion) were entered into that is not less than A low or its equivalent; or

- (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;
- (d) Dundee Properties LP may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the revenue-producing potential of the real properties in which Dundee Properties LP has an interest;
- (e) title to each real property shall be held by and registered in the name of Dundee Properties LP, Properties General Partner or a corporation or other entity wholly-owned, directly or indirectly, by Dundee Properties LP or jointly-owned, directly or indirectly, by Dundee Properties LP with joint venturers; provided that where land tenure will not provide fee simple title, Dundee Properties LP, Properties General Partner or a corporation or other entity wholly-owned, directly or indirectly, by Dundee Properties LP or jointly-owned, directly or indirectly, by Dundee Properties LP with joint venturers shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (f) Dundee Properties LP shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of Dundee Properties LP would be more than 65% of the Gross Book Value and the total amount of indebtedness and the amount of any undrawn advances available under any operating and acquisition facility would be more than 70% of the Gross Book Value unless Properties General Partner determines that the maximum amount of indebtedness shall be based on the appraised value of the real properties of Dundee Properties LP instead of the Gross Book Value. For the purposes of this paragraph, the term “indebtedness” means (without duplication) on a consolidated basis:
 - (i) any obligation of Dundee Properties LP for borrowed money;
 - (ii) any obligation of Dundee Properties LP incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
 - (iii) any obligation of Dundee Properties LP issued or assumed as the deferred purchase price of property;
 - (iv) any capital lease obligation of Dundee Properties LP; and
 - (v) any obligation of the type referred to in clauses (i) through (iv) of another person, the payment of which Dundee Properties LP has guaranteed or for which Dundee Properties LP is responsible for or liable;

provided that (a) for the purposes of (i) through (iv), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of Dundee Properties LP in accordance with generally accepted accounting principles, (b) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable and accrued liabilities arising in the ordinary course of business; and (c) convertible debentures will constitute indebtedness to the extent of the principal amount outstanding;

- (g) except with respect to indebtedness which exists on Closing, at no time will Dundee Properties LP incur indebtedness aggregating more than 15% of its Gross Book Value (other than trade payables, accrued expenses, distributions payable to Unitholders and all other forms of indebtedness with an original term of less than one year) at floating interest rates;
- (h) except for any indebtedness which exists on the Effective Date, Dundee Properties LP will not incur any new indebtedness (otherwise than by the assumption of existing indebtedness) or

renew or refinance any indebtedness under a mortgage on any of the real property of Dundee Properties LP unless, at the date of the proposed incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property;

- (i) except for guarantees which exist on Closing, Dundee Properties LP shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness assumed or incurred under a mortgage by a subsidiary of Dundee Properties LP or other entity wholly-owned by Dundee Properties LP or jointly-owned by Dundee Properties LP with joint venturers and operated solely for the purpose of holding a particular property or properties where such mortgage, if granted by Dundee Properties LP directly, would not cause Dundee Properties LP to otherwise contravene the restrictions in the investment guidelines set out under the heading “Information Concerning Dundee Properties LP — Investment Guidelines” and, where such mortgage is granted by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer’s failure to honour its proportionate share of the obligations relating to such property, the liability of Dundee Properties LP is limited strictly to the proportion of the mortgage loan equal to Dundee Properties LP’s proportionate ownership interest in the joint venture entity. In addition, Dundee Properties LP will not directly or indirectly guarantee any indebtedness or liabilities of any person if doing so would contravene paragraph (a) of the investment guidelines of Dundee Properties LP as set forth above under “Information Concerning Dundee Properties LP — Investment Guidelines”.
- (j) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will have conducted an engineering survey of each real property with respect to the physical condition thereof, including required capital replacement programs;
- (k) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will obtain an independent appraisal of each property that it intends to acquire;
- (l) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will obtain and maintain at all times insurance coverage in respect of potential liabilities of Dundee Properties LP and the accidental loss of value of the assets of Dundee Properties LP from risks, in amounts, with such insurers, and on such terms as Properties General Partner considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (m) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP shall have conducted a Phase I environmental audit of each real property to be acquired by it, excluding properties where there is no requirement to obtain a Phase I environmental audit in order to obtain Canada Mortgage and Housing Corporation financing for the real property, and, if the Phase I environmental audit report recommends that further environmental audits be conducted, Dundee Properties LP shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition shall be satisfactory to Properties General Partner.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which Dundee Properties LP has an interest will be deemed to be those of Dundee Properties LP on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement.

Amendments to Properties Limited Partnership Agreement

Pursuant to the Properties Limited Partnership Agreement, no amendment to the investment guidelines or operating policies set forth above or any other material change to such agreement may be made without the approval of the limited partners and, pursuant to the Operating Trust Declarations, OTA and OTB, as the case may be, shall not approve of any amendment to such investment guidelines or operating policies or any other material change to the Properties Limited Partnership Agreement without the approval of its unitholder, Dundee REIT.

Prior to the Effective Date, the Properties Limited Partnership Agreement may be amended by Properties General Partner without the approval of the limited partners.

Distributions

Dundee Properties LP will distribute to Properties General Partner and to the limited partners holding LP Class A Units and LP Class B Units their *pro rata* portions of distributable income as set out below. Distributions will be made forthwith after Properties General Partner determines the distributable income of the Partnership and determines its expenses for acting as general partner, which shall take place no later than the 10th day of each month. Distributable income will represent, in general, all of Dundee Properties LP's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in Dundee Properties LP) and that is determined by Properties General Partner not to be required in connection with the business of Dundee Properties LP. The amount of distributable income that will be distributed to the limited partners of Dundee Properties LP will be the amount of distributable income which remains after the distribution of (a) an amount to Properties General Partner sufficient to reimburse it for its expenses incurred in performing its duties and obligations under the Properties Limited Partnership Agreement; (b) an amount to the holders of LP Class A Units and LP Class B Units, Series 2 sufficient to allow Dundee REIT, OTA and OTB to pay their expenses on a timely basis; and (c) an amount to Properties General Partner equal to 0.1/99.9 of the balance of the distributable income of Dundee Properties LP remaining after the distributions in (a) and (b) have been made. However, holders of LP Class B Units, Series 1 will be entitled to receive distributions on each such unit equal to the amount of the distribution declared on each REIT Unit, Series B or, if no such distribution is declared, on each REIT Unit, Series A. The record date and the payment date for any distribution declared on the LP Class B Units, Series 1 will be the same as those for the REIT Units, Series B or REIT Units, Series A, as the case may be.

Allocation of Net Income and Losses

Dundee Properties LP's income or loss for tax purposes for a fiscal year will be allocated to Properties General Partner and to each person who was a limited partner of Dundee Properties LP in that year in the manner provided below. At the end of each fiscal year, Properties General Partner will be allocated taxable income of Dundee Properties LP, as determined in accordance with the Tax Act, in an amount equal to the aggregate of (i) all of the amounts paid to Properties General Partner as reimbursement for its expenses in performing its duties and obligations under Properties Limited Partnership Agreement and (ii) all distributions from Dundee Properties LP that it has received during that year. After giving effect to the allocation of taxable income to Properties General Partner, each person who was a limited partner of Dundee Properties LP at any point during that year will be allocated taxable income or taxable losses of Dundee Properties LP, as determined in accordance with the Tax Act, in an amount based on the total sum of the cash distributions received by that limited partner with respect to that fiscal year. However, if, with respect to a given fiscal year, no cash distribution is made by Dundee Properties LP to its limited partners, or Dundee Properties LP has a loss for tax purposes, the income or loss, as the case may be, for tax purposes of Dundee Properties LP for that fiscal year will be allocated to each person who was a limited partner at anytime in such fiscal year in the proportion determined by Properties General Partner.

Functions and Powers of Properties General Partner

Subject to the provisions of the Properties Limited Partnership Agreement, Properties General Partner will be authorized to carry out the business of Dundee Properties LP with the full power and exclusive authority to administer, manage, control and operate the operations and affairs of Dundee Properties LP and the business of Dundee Properties LP and to bind Dundee Properties LP. In addition, Properties General Partner will have all of the power and authority for and on behalf of Dundee Properties LP to do or cause to be done any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document on behalf of Dundee Properties LP permitted by the Properties Limited Partnership Agreement and involving matters or transactions which are necessary for or incidental to carrying on the business of Dundee Properties LP. Properties General Partner will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Dundee Properties LP and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and as would the director of a corporation in comparable circumstances. Properties General Partner will not be entitled to dissolve Dundee Properties LP, wind up its affairs or effect a sale of all or substantially all of Dundee Properties LP's assets except in accordance with the provisions of the Properties Limited Partnership Agreement.

The Properties Limited Partnership Agreement provides that all material transactions and agreements involving Dundee Properties LP must be approved by Properties General Partner's board of directors.

Restrictions of the Authority of Properties General Partner

The authority of Properties General Partner is limited in certain respects by the Limited Partnership Agreement. For example, Properties General Partner is prohibited, without the prior approval of the limited partners given by special resolution, from selling or otherwise disposing of all or substantially all of the assets of Dundee Properties LP.

Reimbursement of Properties General Partner

Dundee Properties LP will reimburse Properties General Partner for all expenses incurred by Properties General Partner in the performance of its duties as general partner under the Properties Limited Partnership Agreement on behalf of Dundee Properties LP.

Limited Liability

Properties General Partner will operate and carry on the business of Dundee Properties LP and conduct the affairs of Dundee Properties LP in a manner so as to ensure to the greatest extent possible the limited liability of its limited partners. However, limited partners may lose their limited liability in certain circumstances.

Management

The senior officers of Properties General Partner will be the same as those of Dundee REIT, being Michael J. Cooper, President and Chief Executive Officer; Jeff B. Barnes, Executive Vice-President and Chief Financial Officer; J. Michael Knowlton, Executive Vice-President and Chief Operating Officer; and P. Jane Gavan, Executive Vice-President and General Counsel.

Master Property Management Agreement

Property Management Services

Dundee Properties LP, Dundee Management LP, Dundee REIT and the Corporation will enter into the Master Property Management Agreement at the Effective Time of the Arrangement. Pursuant to such agreement, Dundee Management LP will agree to provide customary property management services to Dundee Properties LP, which will include: (i) preparing an annual operating budget and leasing plan; (ii) preparing and maintaining books and records, performing accounting and preparing financial reports;

(iii) purchasing operating supplies, materials and services; (iv) supervising and directing the making of renovations, repairs and maintenance; (v) providing computer, telecommunications and other information technology systems and equipment; (vi) ensuring compliance with contractual obligations and applicable laws; (vii) engaging in legal proceedings; (viii) selecting accounting, legal, engineering and other professionals; (ix) paying charges and expenses relating to the operation of the real properties; (x) collecting and remitting Goods and Services Tax, Quebec Sales Tax and other like taxes; (xi) keeping the real properties free from liens; (xii) notifying Dundee Properties LP of certain claims against Dundee Management LP, Dundee Properties LP or Dundee REIT; (xiii) providing information to Dundee Properties LP, Dundee REIT and certain other third parties in connection with a proposed sale, financing or refinancing of any real property; (xiv) obtaining and maintaining any necessary permits; (xv) cash management; (xvi) reviewing property taxes and assessments; (xvii) carrying out advertising and promotional activities; (xviii) notifying Dundee Properties LP of damage to any real properties; (xix) supervising construction and technical services; (xx) making available officers and employees to meet with Dundee Properties LP and Dundee REIT; (xxi) maintaining heating, ventilation and air conditional equipment and ensuring proper climate control; (xxii) maintaining interior and exterior common areas; (xxiii) arranging and supervising security with respect to the real properties; and (xxiv) other general services necessary for the management, operation and maintenance of the real properties.

The Master Property Management Agreement also authorizes Dundee Management LP, subject to certain restrictions, to contract on behalf of Dundee Properties LP with third parties for the provision of certain services to Dundee Properties LP as provided for in Dundee Management LP's annual operating plan, as may be prudent, reasonable and consistent with its annual operating plan or as otherwise authorized in writing by Dundee Properties LP. These services include (i) title search services; (ii) financial investigation services; (iii) commission brokerage services for the sale and leasing of the real properties; (iv) marketing services for the real properties; (v) surveying services; (vi) environmental consulting services; (vii) tax consulting and appraisal services; (viii) general construction and construction subcontracting services; and (ix) architectural, engineering or construction consulting services. Dundee Management LP is entitled to be reimbursed by Dundee Properties LP for its reasonable costs for such services.

The Master Property Management Agreement provides that Dundee Management LP, with the prior approval of Dundee Properties LP, may delegate specific aspects of its obligations under the Master Property Management Agreement to another corporation, person, firm or entity, provided that such delegation will not relieve Dundee Management LP of any of its obligations under the Master Property Management Agreement.

Rent Supplement

The Master Property Management Agreement provides that, commencing on the Effective Date, the Corporation will pay a rent supplement to Dundee Properties LP for a five year period in the case of certain specified office and retail premises and a three year period in the case of certain specified industrial premises. Pursuant to the Master Property Management Agreement, the Corporation will pay each month to Dundee Properties LP a rent supplement equal to the difference between (i) the amount that is one-twelfth of the "total net rent" less amortized leasing costs with respect to the specified premises plus the additional rents that would be payable with respect to such premises if such premises were leased pursuant to the applicable standard lease for each premises and (ii) the amount that is the actual base rent and additional rent received by Dundee Properties LP for such premises, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlords work, free rent and leasing commissions paid by Dundee Properties LP to lease any of such premises. If, at any time, any of the premises to which the rent supplement applies is either sold by Dundee Properties LP or ceases to be managed by Dundee Management LP, the amount of the rent supplement will be reduced by the amount attributed to such premises. If Dundee Properties LP enters into a lease with a tenant for any of the premises to which the rent supplement applies which extends beyond the terms of the supplement for such

premises and the tenant meets credit quality thresholds, has occupied the premises and has commenced full rental payment under the lease, the amount of the supplement will be permanently reduced by the actual base rent and additional rent received by Dundee Properties LP for such premises after deduction for amortization of all leasing costs.

Term and Termination

The initial term of the Master Property Management Agreement will be five years. With the consent of Dundee Management LP, the Master Property Management Agreement shall be extended for a further five year period. Upon the expiry of the first extension term and with the mutual consent of Dundee Management LP and Dundee Properties LP, the agreement will be automatically extended for further five year periods until terminated by the parties.

The Master Property Management Agreement may be terminated by Dundee Management LP or Dundee Properties LP upon the occurrence of an event of default and will be automatically terminated immediately prior to the occurrence of certain insolvency events relating to Dundee Management LP or Dundee Properties LP. The Master Property Management Agreement may also be terminated with respect to a particular property in the event of material damage or the expropriation, taking or condemnation of such property.

Management Fees

The Master Property Management Agreement will provide that Dundee Properties LP will pay Dundee Management LP a base management fee, a construction fee and a leasing administration fee for the services provided under such agreement. The base management fee will be 3.5% of the gross revenues of the RP Properties (including the rent supplement as discussed above). The construction fee will be based on a specified percentage of the costs for approved construction and capital expenditures, while the leasing administration fee will constitute 50% of the customary market leasing brokerage fee (25% if a third party listing leasing broker is involved in the transaction or in the case of a lease renewal), calculated without deduction for any rent free period. In addition, Dundee REIT will reimburse Dundee Management LP for certain of the costs and expenses incurred by Dundee Management LP in the performance of its duties under the Master Property Management Agreement and the provision of administrative services to Dundee REIT, the Operating Trusts or Dundee Properties LP.

Employee Bonus Plan

Dundee Management LP will, with the prior approval of the Independent Trustees, adopt a bonus plan providing for the compensation of the employees of Dundee Management LP and its subsidiaries with reference to certain annual financial targets of Dundee REIT.

INFORMATION CONCERNING DUNDEE MANAGEMENT LP

Dundee Management LP is a limited partnership formed under the laws of the Province of Ontario. Dundee Management LP will, immediately prior to the commencement of the Arrangement, acquire from the Corporation pursuant to the Property Management Business Transfer Agreement the interest of the Corporation in its subsidiaries which currently carry on the Corporation's property management business. From and after the Effective Date, Dundee Management LP will manage the RP Properties pursuant to the Master Property Management Agreement. Dundee Management LP will also provide general administrative services to Dundee REIT, the Operating Trusts and Dundee Properties LP pursuant to the Dundee REIT Administrative Services Agreement and to the Corporation and its affiliates pursuant to the DRC Administrative Services Agreement. See "Information Concerning Dundee Properties LP — Master Property Management Agreement", "Management of Dundee REIT — Dundee REIT Administrative Services Agreement" and "Information Concerning the Corporation — Services Provided by Dundee Management LP".

The general partner of Dundee Management LP is Dundee Management (GP) Inc., a corporation incorporated under the laws of the Province of Ontario of which the Corporation and Dundee Properties LP are the sole shareholders, each holding an equal number of shares. The initial limited partner of Dundee Management LP is Dundee Properties LP. Following the Acquisition, through their direct and indirect interests in Dundee Management LP, each of Dundee Properties LP and the Corporation is entitled to 50% of the distributions of income from Dundee Management LP. Dundee Management LP will subcontract with DRMC for the property management of the RP Properties.

INFORMATION CONCERNING HOLDING

Holding will be incorporated pursuant to the provisions of the OBCA immediately prior to the Effective Date as a wholly-owned subsidiary of DBI. Upon completion of the Arrangement, all of the issued and outstanding shares of Holding will be owned by DBI, certain affiliates of DBI and the Management Shareholders, and Holding will own all of the issued and outstanding Common Shares.

The registered office of Holding will be located at Scotia Plaza, 55th Floor, 40 King Street West, Toronto, Ontario M5H 4A9.

INFORMATION CONCERNING THE CORPORATION

History

The Corporation was incorporated under the laws of the Province of Alberta with the name “Clydesdale Capital Corporation” on May 18, 1995 as a junior capital pool company subject to the rules of The Alberta Stock Exchange and the Alberta Securities Commission. By articles of continuance effective November 7, 1996, the name of the Corporation was changed to “Dundee Realty Corporation” and the Corporation was continued under the OBCA. The share capital structure of the Corporation was created by articles of amendment effective September 27, 1996 and April 27, 1998. The articles of the Corporation were further amended effective June 16, 1998, to increase the maximum number of directors that the Corporation may have to 20 directors, and on June 13, 2001, to effect the consolidation of the Common Shares on an eight to one basis.

The registered office and principal place of business of the Corporation is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1.

Business

The Corporation is a diversified public real estate company engaged in the ownership, development and management of commercial revenue producing properties located primarily in Canada. The Corporation is also engaged to a lesser extent in the development of land and housing in Canada and the United States.

With over \$1 billion in assets, the Corporation is one of Canada’s leading providers of affordable business premises. Through innovative management and a conservative approach to financing, the Corporation has built a diversified portfolio of desirable high-quality space in the office, industrial and retail sectors totalling over 11 million square feet. This portfolio collectively represented approximately 74% of the contribution from the Corporation’s segmented operations and 86% of the total segment assets of the Corporation by book value for the financial year ended December 31, 2002.

The Corporation is also an active developer of master planned residential communities and commercial sites, as well as housing and condominiums, principally in Calgary and Edmonton, Alberta; Saskatoon and Regina, Saskatchewan; Toronto, Ontario; and Beaver Creek, Colorado.

The Corporation currently has approximately 384 employees involved in its operations, including a group of senior executives with considerable experience in real estate operations and acquisitions.

Business of the Corporation Following the Acquisition

Following completion of the Acquisition, the Corporation will be indirectly owned by DBI, certain of its affiliates and the Management Shareholders. The Corporation will, directly or indirectly, continue to own and operate its land and housing business. It will also own certain commercial revenue producing properties that it intends to dispose of prior to the end of 2003. The Corporation will hold 6,909,245 LP Class B Units, Series 1 representing an approximate 42.7% interest in Dundee Properties LP, exchangeable for an equivalent interest in Dundee REIT. This interest represents the *pro rata* interest of DBI and its affiliates in the RP Properties and in Dundee REIT's interest in the property management business of Dundee Properties LP. The Corporation will also have a direct 50% interest in the property management business of Dundee Management LP.

A description of the businesses of the Corporation following the Acquisition is set out below.

Land Operations

The land operations of the Corporation will consist of the acquisition and development of raw land and its subdivision and subsequent sale as residential lots and industrial and commercial sites. The Corporation currently has land holdings and subdivision projects in Calgary and Edmonton, Alberta; Saskatoon and Regina, Saskatchewan; Vaughan, Ontario; Quebec City, Quebec; Newport Beach, California and Saratoga Springs, New York.

Housing and Condominium Developments

The primary mandate of the housing operations of the Corporation is to facilitate the sale of lots developed by the land operations of the Corporation through its marketing initiatives. The housing operations also construct new homes on land developed by other parties in order to enhance volumes and generate market presence. The Corporation is currently active in new home construction in Vaughan, Ontario, and Saskatoon and Regina, Saskatchewan. All construction is subcontracted to third parties.

The Corporation also pursues the selective development of major condominium projects in Toronto, Ontario and Beaver Creek, Colorado. The Corporation currently has one project under development in Toronto, the first phase of which will be completed in 2003 and the second phase in 2004. Further activity in this market will be considered on a project-by-project basis. In Colorado, the Corporation has been active in the Vail Resort area for several years, completing five condominium projects. This market has provided competitive returns on investment and the Corporation anticipates continued activity in this area.

Real Estate Management and Advisory Services

The Corporation will own a 50% interest in Dundee Management LP, which will provide property management and administrative services to Dundee REIT, the Operating Trusts and Dundee Properties LP pursuant to the Master Property Management Agreement and the Dundee REIT Administrative Services Agreement and general administrative services to the Corporation under the DRC Administrative Services Agreement.

Commercial Revenue Producing Properties

Following the completion of the Acquisition, the Corporation will continue to own a small hotel in Saskatoon, Saskatchewan and the Arapahoe Basin ski hill in Colorado. In addition, the Corporation will hold for sale the commercial revenue producing properties set out below, which the Corporation anticipates disposing of by the end of 2003.

Property	Ownership	Total GLA in Square Feet	Owned Share of Total GLA in Square Feet	Year Acquired	Occupied/ Committed as at March 31, 2003	Occupancy over 20,000 sq. ft. (on a 100% basis)
Westmount Centre, Edmonton	7%	404,300	28,301	1998	90.3%	Zellers, Safeway, Famous Players, Nieman Marcus
Crossroads Plaza Mall, Salt Lake City.....	13%	624,728	81,839	1998	81.0%	Nordstroms, Mervyns, Borders Books
Key Bank Tower, Salt Lake City.....	11%	308,530	33,425	1998	90.2%	Key Bank of Utah; Dyno Nobel; Richards Brandt Miller
Total Portfolio	11	1,337,558	143,565		85.0%	

Westmount Centre, Edmonton — The Corporation will own a 7% interest in this enclosed regional shopping centre located at the intersection of Groat Road and 111th Avenue. Presently encompassing 404,300 square feet, the leasable space of the shopping centre will increase to approximately 416,000 square feet once all pad sites are developed. The centre, which was originally built in 1955, underwent an extensive renovation and redevelopment that was completed in 2001. This included repositioning anchor tenants and the addition of a regulation size ice rink and a 47,279 square foot call centre. A Famous Players Theatre, Canada Safeway and Zellers anchor the Centre.

Crossroads Plaza, Salt Lake City, Utah — The Corporation will own an effective 13.1% interest in this four storey regional shopping mall located at 50 South Main in downtown Salt Lake City, Utah. The mall was built in 1980 and was renovated in 1989 and 1997. It is comprised of 624,728 square feet and is anchored by Nordstrom, Mervyn’s and Borders Books. The property is subject to a ground lease expiring on December 31, 2040, with three successive 10-year renewal options.

Key Bank Tower, Salt Lake City, Utah — The Corporation will own an effective 10.83% interest in this 20 storey Class B office tower located in downtown Salt Lake City, Utah adjacent to Crossroads Plaza. This building comprises 308,530 square feet building and was completed in 1980.

Services Provided by Dundee Management LP

Dundee Management LP will provide the Corporation with management and general administrative services and administrative support services pursuant to the DRC Administrative Services Agreement. These services will be substantially the same as those provided to Dundee REIT as described in “Management of Dundee REIT — Dundee REIT Administrative Services Agreement”.

Directors and Officers

The following table sets forth the name, municipality of residence, positions with the Corporation and principal occupation of each of the officers and directors of the Corporation:

<u>Name and Municipality of Residence</u>	<u>Positions Held</u>	<u>Principal Occupation</u>
Dr. Günther Bautz Ulm, Germany	Director since 1998	Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances
Detlef Bierbaum(1)(3) Köln, Germany	Director since 1998 and Vice-Chairman	Partner, Bankhaus Sal. Oppenheim jr. & Cie, KGaA, a private investment bank
Donald K. Charter(1)(2)(4)(5) . . Toronto, Ontario	Director since 1996	Executive Vice-President, DBI, a financial services company, Chairman, President and Chief Executive Officer, Dundee Securities Corporation, an investment dealer
David J. Contis(2)(3) Santa Monica, California	Director since 1996	Executive Vice-President and Chief Operating Officer, The Macerich Company, a real estate investment trust
Michael J. Cooper(1) Toronto, Ontario	Director since 1996 and Officer of the Corporation	President and Chief Executive Officer of the Corporation
Peter A. Crossgrove(1)(3)(4)(5) . . Toronto, Ontario	Director since 1998	Chairman, Masonite International Inc., a door manufacturing company
Robert G. Goodall(2)(3)(4) Mississauga, Ontario	Director since 1996	President, Canadian Mortgage Capital Corporation, a mortgage brokerage company
David J. Goodman(4) Toronto, Ontario	Director since 1996	President and Chief Executive Officer, Dynamic Mutual Funds Ltd., a mutual fund company
Ned Goodman(1)(3)(5) Innisfil, Ontario	Director since 1996 and Chairman	President and Chief Executive Officer, DBI, a financial services company
Gert Silber-Bonz Michelstadt, Germany	Director since 1998	Business Consultant
Jeff B. Barnes Toronto, Ontario	Officer of the Corporation	Executive Vice-President and Chief Financial Officer
P. Jane Gavan Vaughan, Ontario	Officer of the Corporation	Executive Vice-President, General Counsel and Secretary
J. Michael Knowlton Mississauga, Ontario	Officer of the Corporation	Executive Vice-President and Chief Operating Officer
Don Chmara Toronto, Ontario	Officer of the Corporation	Senior Vice-President and Controller
Adarsh Khosla Vaughan, Ontario	Officer of the Corporation	Senior Vice-President, Finance
Mario Barrafato Burlington, Ontario	Officer of the Corporation	Vice-President, Taxation
Bruce Traversy Toronto, Ontario	Officer of the Corporation	Vice-President, Corporate Analysis and Investments

(1) Member of the executive committee of the directors of the Corporation.

(2) Member of the audit committee of the directors of the Corporation.

(3) Member of the compensation committee of the directors of the Corporation.

(4) Member of the corporate governance committee of the directors of the Corporation.

(5) Member of the environmental committee of the directors of the Corporation.

Directors of the Corporation hold office until the next annual meeting of Shareholders or until their successors are duly elected or appointed.

Each of the foregoing has held his present principal occupation or a similar position with his present employer or its predecessors or affiliates for the past five years except for:

Günther Bautz who, prior to January 2003, was Patent and Trademark Counsel, Braun GmbH, a manufacturer of small electric appliances;

David Goodman who, prior to November 2001, was President, Goodman & Company, Investment Counsel, an investment counsel company;

J. Michael Knowlton who, prior to July 1999, was Managing Director, Limited Partnerships of the Corporation, and, prior to August 1998 was Senior Vice-President Finance, OMERS Realty Corporation;

Adarsh Khosla who, prior to January 2000 was Vice-President, Finance of the Corporation;

Mario Barrafato who, prior to November 2001 was Director, Taxation, Molson Inc., and prior to September 1999 was Manager, Taxes, Molson Inc. (formerly The Molson Companies Limited), a Canadian brewing company; and

Bruce Traversy who, prior to May 1999, was the Director, Financial Analysis and Research of the Corporation.

As at April 30, 2003, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 876,490 Common Shares, representing approximately 5.7% of the total number of Common Shares outstanding. This number does not include the Common Shares beneficially owned or over which control or direction is exercised by DBI, an associate of Ned Goodman. DBI beneficially owns 44.7% of the Common Shares outstanding.

Statement of Executive Compensation

The following table sets forth all annual and long term compensation for services in all capacities rendered to the Corporation and the subsidiaries thereof for the financial year ended December 31, 2002 in respect of each of the individuals who were, during the financial year ended December 31, 2002, the Chief

Executive Officer of the Corporation and the other four most highly compensated executive officers of the Corporation (collectively the “Named Executive Officers”).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation(1) (\$)	Awards		Payouts	
					Options/Stock Appreciation Rights Granted(2) (No.)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation(3) (\$)
Michael J. Cooper	2002	400,000	150,000	39,287	—	—	—	9,170
President and	2001	400,000	1,000,000	64,411	125,000	—	—	16,750
Chief Executive Officer	2000	375,000	200,000	61,857	62,500	—	—	14,500
Jeff B. Barnes	2002	275,000	275,000	23,529	—	—	—	6,750
Executive Vice-President	2001	275,000	375,000	33,365	40,000	—	—	6,750
and Chief Financial Officer	2000	260,000	200,000	35,380	37,500	—	—	4,500
J. Michael Knowlton	2002	275,000	250,000	14,950	—	—	—	6,750
Executive Vice-President	2001	250,000	325,000	14,621	40,000	—	—	6,750
and Chief Operating Officer	2000	230,000	200,000	4,280	37,500	—	—	2,875
P. Jane Gavan	2002	200,000	125,000	20,339	—	—	—	6,750
Executive Vice-President,	2001	200,000	150,000	24,373	25,000	—	—	6,750
General Counsel and Secretary	2000	175,000	100,000	15,574	25,000	—	—	3,062
Joel D. Teal	2002	176,865	58,424	13,582	—	—	—	4,420
Executive Vice-President,	2001	173,353	53,046	13,565	—	—	—	4,334
Land and Housing	2000	169,125	35,178	14,026	2,500	—	—	4,500

(1) Amount shown represents the value of perquisites and benefits including imputed interest benefits on loans from the Corporation in the amount of \$22,556 for 2002, \$45,066 for 2001 and \$47,161 for 2000 in respect of Mr. Cooper; \$11,003 for 2002, \$21,984 for 2001 and \$23,005 for 2000 in respect of Mr. Barnes; and \$5,501 for 2002, \$10,992 for 2001 and \$11,503 for 2000 in respect of Ms Gavan. See “Indebtedness of Directors and Senior Officers”.

(2) Options granted under the share incentive plan of the Corporation. See “Share Incentive Plan”.

(3) Amount shown represents life insurance premiums and pension contributions.

Employment Agreements

The Corporation has entered into an employment agreement with P. Jane Gavan dated April 28, 1998 (the “Gavan Agreement”). The Gavan Agreement is for a period of five years and renews automatically for successive periods of two years unless terminated by the Corporation without notice or by Ms. Gavan on one months’ notice. The Gavan Agreement contains provisions protecting the Corporation with respect to confidential information, non-competition and non-solicitation, and certain provisions with respect to termination on death or disability. The Gavan Agreement entitles Ms. Gavan to receive remuneration in the maximum amount of two times the annual salary and the then value of the benefits of Ms. Gavan upon, among other things, Ms. Gavan’s termination without cause, the Corporation’s failure to renew the Gavan Agreement, or a material change in the compensation, duties or responsibilities of Ms. Gavan.

The Corporation has agreed to pay Michael J. Cooper the amount of \$1,500,000 if Mr. Cooper is terminated by the Corporation other than by reason of death, disability or voluntary resignation.

Indebtedness of Directors and Senior Officers

The following table sets forth certain information regarding the \$3,420,000 of aggregate indebtedness owing to the Corporation as of December 31, 2002 and April 30, 2003 incurred by current and former directors, officers and employees of the Corporation in connection with purchases of Common Shares.

Indebtedness of Directors, Executive Officers and Senior Officers under Securities Purchase Programs

Name, Principal Position and Municipality of Residence	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During Fiscal Year Ended December 31, 2002	Amount Outstanding as at April 30, 2003	Financially Assisted Securities Purchased During Fiscal Year Ended December 31, 2002	Security for Indebtedness(1)
Michael J. Cooper	Loan from the Corporation(2) (6)	\$ 220,000	\$ 220,000	—	25,000
President and Chief Executive Officer(6) (7)	Loan from the Corporation(3) (6)	\$ 600,000	\$ 600,000	—	37,500
Toronto, Ontario	Loan from the Corporation(4) (6)	\$1,000,000	\$1,000,000	—	74,000
Detlef Bierbaum	Loan from the Corporation(3) (6)	\$ 600,000	\$ 600,000	—	37,500
Vice-Chairman(7)					
Köln, Germany					
Donald K. Charter	Loan from the Corporation(3) (6)	\$ 400,000	\$ 400,000	—	25,000
Director(7)					
Toronto, Ontario					
Jeff B. Barnes	Loan from the Corporation(3) (6)	\$ 400,000	\$ 400,000	—	25,000
Executive Vice-President and Chief Financial Officer					
Toronto, Ontario					
P. Jane Gavan	Loan from the Corporation(3) (6)	\$ 200,000	\$ 200,000	—	12,500
Executive Vice-President, General Counsel and Secretary					
Vaughan, Ontario					
Ned Goodman	Loan from the Corporation(5)	\$ 800,000	\$ 0	—	50,000
Chairman(7)					
Innisfil, Ontario					

- (1) Amounts shown in this column represent the number of Common Shares that each individual has pledged to the Corporation as security for the debt.
- (2) In connection with this loan, the Corporation and Mr. Cooper entered into a promissory note and a share pledge agreement each dated December 31, 2001. The loan matures on January 23, 2007 and is non-interest bearing until default, at which time the entire principal amount becomes due and payable and bears interest at a rate equal to the prime rate of interest charged by a Canadian chartered bank. In the event of the resignation or the termination of the employment of Mr. Cooper with the Corporation, the promissory note becomes due and payable subject to the terms of the loan. Mr. Cooper has pledged the 25,000 Common Shares purchased with the proceeds of this loan as security for this loan. The sole recourse of the Corporation in respect of the promissory note is to the 25,000 Common Shares purchased by Mr. Cooper and pledged as security for the loan.
- (3) In connection with these loans, the Corporation and each of the borrowers entered into a promissory note and a share pledge agreement each dated December 31, 2001. Each of the loans matures on September 9, 2008 and is non-interest bearing until default, at which time the entire principal amount becomes due and payable and bears interest at a rate equal to the prime rate of interest charged by a Canadian chartered bank. In the event of the resignation or termination of the employment of the borrower with the Corporation, the applicable promissory note becomes payable subject to the terms of the applicable loan. Each of the borrowers has pledged the Common Shares purchased with the proceeds of these loans as security for these loans. Each of the borrowers is permitted to dispose of

the Common Shares pledged as security for the loan in certain circumstances and upon the repayment of all or a portion of the loan. If, after default or in certain other circumstances, all or a portion of the loan is forgiven or settled for an amount that is less than the amount of the loan, the Corporation is required to pay to the borrower an amount equal, on an after-tax basis, to any taxes payable by the borrower in respect of such forgiveness or settlement. The sole recourse of the Corporation in respect of each of the promissory notes is to the Common Shares purchased by the applicable borrower and pledged by the borrower as security for the loan.

- (4) In connection with this loan, the Corporation and Mr. Cooper have entered into a promissory note and a share pledge agreement each dated December 1, 2001. The loan matures on December 1, 2006 and bears interest at the rate of 5% per annum. In the event of the resignation or the termination of the employment of Mr. Cooper with the Corporation, the promissory note becomes due and payable subject to the terms of the loan. Mr. Cooper used the proceeds of this loan to purchase 74,000 Common Shares and has pledged the 74,000 Common Shares as security for this loan. The sole recourse of the Corporation in respect of the promissory note is to the 74,000 Common Shares purchased by Mr. Cooper and pledged as security for the loan.
- (5) In December 2002, Mr. Goodman returned to the Corporation the Common Shares held as security in satisfaction of the loan.
- (6) This indebtedness will be repaid by the borrowers prior to the Effective Time of the Arrangement and the loan agreements relating thereto will be terminated.
- (7) Proposed nominee for election as a director of the Corporation.

In addition, the Corporation has guaranteed the obligations of Michael J. Cooper under a loan from a Canadian chartered bank to Mr. Cooper in the amount of \$1,400,000. The loan is full recourse to Mr. Cooper and the proceeds of the loan were used by Mr. Cooper to acquire Common Shares in the public market. Such shares were pledged to the bank as security for the loan.

Indebtedness of Directors, Executive Officers and Senior Officers Other than under Securities Purchase Programs

The following table sets forth certain information regarding the \$640,000 of aggregate indebtedness owing to the Corporation as of December 31, 2002 and April 30, 2003 incurred by current and former directors, officers and employees of the Corporation other than in connection with the purchase of Common Shares.

<u>Name, Principal Position and Municipality of Residence</u>	<u>Involvement of Corporation or Subsidiary</u>	<u>Largest Amount Outstanding During Fiscal Year Ended December 31, 2002</u>	<u>Amount Outstanding as at April 30, 2003</u>
Michael J. Cooper(2) President and Chief Executive Officer Toronto, Ontario	Loan of the Corporation(1)	\$640,000	\$640,000

- (1) In December 2002, the Company granted a loan of \$640,000 to Mr. Cooper relating to the acquisition of a condominium that is forgivable to the extent of \$320,000 on January 3, 2004 and \$320,000 on January 4, 2005. The loan is interest free and becomes due and payable should Mr. Cooper resign or be terminated. No security was provided for the loan.
- (2) Proposed nominee for election as a director of the Corporation.

Share Incentive Plan

The Corporation has established a share incentive plan (the “Share Incentive Plan”) for the benefit of those full-time and part-time employees, officers and directors of the Corporation and affiliated companies (and persons or companies engaged to provide ongoing management or consulting services to the foregoing) designated as eligible to participate, from time to time, by the Board of Directors of the

Corporation. The Share Incentive Plan consists of a Share Option Plan, a Share Purchase Plan and a Share Bonus Plan.

The Share Incentive Plan provides that a maximum of 1,968,750 Common Shares are issuable under the Share Option Plan, 93,750 Common Shares are issuable under the Share Purchase Plan and 62,500 Common Shares are issuable under the Share Bonus Plan.

In addition, within a one year period, the maximum number of Common Shares issuable to insiders of the Corporation under the Share Incentive Plan and any other share compensation arrangements must not exceed 10% of the total number of outstanding Common Shares (as determined in accordance with the provisions of the Share Incentive Plan). Within a one year period, the maximum number of Common Shares issuable to any one insider of the Corporation and the associates of such insider under the Share Incentive Plan and any other share compensation arrangements must not exceed 5% of the total number of outstanding Common Shares (as determined in accordance with the provisions of the Share Incentive Plan).

Share Option Plan

The Share Option Plan provides for the grant of non-transferable options (“Options”) for the purchase of Common Shares. Subject to the requirements of the Share Option Plan, the Board of Directors of the Corporation has the authority to select those eligible participants to whom Options will be granted, the number of Options to be granted and the price at which Common Shares may be purchased. The exercise price for purchasing Common Shares cannot be less than the closing price of the Common Shares on the Toronto Stock Exchange (or such other stock exchange on which the Common Shares are then traded) on the last trading day immediately preceding the date of the grant of the Option. Each Option, unless sooner terminated pursuant to the provisions of the Share Option Plan, will expire on a date to be determined by the directors of the Corporation at the time the Option is granted, which date cannot exceed 10 years from the date the Option was granted. Each Option becomes exercisable, as to 33 $\frac{1}{3}$ % of the Common Shares subject to such Option, on a cumulative basis at the end of each of the first, second and third years following the date of grant of the Option.

If a take-over bid (within the meaning of the *Securities Act* (Ontario)) is made for the Common Shares, then the directors of the Corporation may permit all Options outstanding to become immediately exercisable in order to permit Common Shares issuable under such Options to be tendered to such bid.

Share Purchase Plan

Subject to the requirements of the Share Purchase Plan, the Board of Directors of the Corporation has the authority to select those employees and members of management of the Corporation and the designated affiliates thereof who may participate in the Share Purchase Plan. The Corporation will match the participant’s contribution, which cannot exceed 10% of the participant’s basic annual remuneration, on a quarterly basis and each participant will then be issued Common Shares having a value equal to the aggregate amount contributed to the Share Purchase Plan by the participant and the Corporation. The purchase price per share will be the weighted average price of the Common Shares on the Toronto Stock Exchange (or such other stock exchange on which the Common Shares are then traded) for the five trading days immediately preceding the issuance of the Common Shares are issued. Such Common Shares will be delivered to participants twelve months following their date of issue.

Currently, the Board of Directors of the Corporation has not designated any employees eligible to participate under the Share Purchase Plan. To date, no Common Shares have been issued pursuant to the Share Purchase Plan.

Share Bonus Plan

The Share Bonus Plan permits Common Shares to be issued as a discretionary bonus to employees and members of management of the Corporation and designated affiliates. To date, no Common Shares

have been issued pursuant to the Share Bonus Plan. The Board of Directors of the Corporation has, however, approved the allocation of an aggregate of 56,000 Common Shares to certain senior officers of the Corporation under the Share Bonus Plan. These shares will be issued to these individuals annually in four equal portions over a four year period, provided that these individuals continue to be officers of the Corporation on each of the issuance dates and subject to certain other conditions established by the board in authorizing the allocation of these shares.

The Share Option Plan and the Share Bonus Plan will be affected by the Acquisition. See “Procedure for Surrender of Common Shares — Treatment of Share Based Compensation Plans in Connection with the Arrangement”.

Option Grants

No Options were granted by the Corporation in 2002. In January 2003, the Corporation granted an aggregate of 698,875 Options to certain directors, officers and employees of the Corporation and its subsidiaries.

Options Exercised and Options Outstanding

The following table sets forth certain information regarding the value, as of December 31, 2002, of unexercised Options held by the Named Executive Officers on an aggregate basis:

**Aggregated Option/Stock Appreciation Right Exercises
During the Most Recently Completed Financial Year and
Financial Year-End Option/Stock Appreciation Rights Values**

<u>Name</u>	<u>Securities Acquired on Exercise (No.)</u>	<u>Aggregate Value Realized (\$)</u>	<u>Unexercised Options/Stock Appreciation Rights at December 31, 2002 (No.) Exercisable/Unexercisable</u>	<u>Value of Unexercised In-the-Money Options/ Stock Appreciation Rights at December 31, 2002(1) (\$) Exercisable/Unexercisable</u>
Michael J. Cooper President and Chief Executive Officer	—	—	250,000/125,000	1,315,833/437,917
Jeff B. Barnes Executive Vice-President and Chief Financial Officer	—	—	114,333/51,667	411,000/182,250
J. Michael Knowlton Executive Vice-President and Chief Operating Officer	—	—	75,833/51,667	313,625/182,250
P. Jane Gavan Executive Vice President, General Counsel and Secretary	—	—	30,192/33,333	116,315/117,667
Joel D. Teal Executive Vice President, Land and Housing	—	—	19,583/1,667	112,696/6,017

(1) Value of unexercised in-the-money Options calculated using the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2002 of \$15.45 less the exercise price of in-the-money Options.

The Named Executive Officers exercised no Options during the financial year ended December 31, 2002.

Composition of the Compensation Committee

The Compensation Committee of the Board of Directors of the Corporation (the “Compensation Committee”) makes determinations and recommendations to the Board of Directors of the Corporation concerning the cash and incentive compensation of the executive officers of the Corporation. The following directors of the Corporation served as members of the Compensation Committee for all or part of the financial year ended December 31, 2002: Messrs. Detlef Bierbaum, David J. Contis, Peter Crossgrove, Robert Goodall and Ned Goodman. Messrs. Bierbaum and Ned Goodman were officers of the Corporation during the financial year ended December 31, 2002 and were also indebted to the Corporation. See “Indebtedness of Directors and Senior Officers”.

Report on Executive Compensation

The primary goal of the Compensation Committee is to ensure that the overall compensation provided to the executive officers of the Corporation is determined with regard to the business strategies and objectives of the Corporation, such that the financial interest of the executive officers of the Corporation is consistent with the financial interest of the Shareholders of the Corporation. The principal components of the executive compensation program of the Corporation are base salary and annual and long-term incentives.

Base Salary

The compensation levels established for the financial year ended December 31, 2002 reflect the fact that the Corporation has continued to grow rapidly and that the contribution of the executive officers of the Corporation is considered very important in the development of the Corporation. The Compensation Committee approves the base salaries for each of the executive officers of the Corporation on an individual basis, taking into consideration the recommendation of the President and Chief Executive Officer of the Corporation, the past, current and potential contribution to the success of the Corporation, the position and responsibilities of the executive officer and competitive industry pay practices for comparable positions at corporations of comparable size.

Annual Incentives

The Compensation Committee determined that commencing in 1999, the Corporation may provide annual incentive compensation as recognition and reward for the accomplishment of pre-determined annual objectives. The profit incentive plan of the Corporation (the “Incentive Plan”) provides all full-time employees with an opportunity to earn incentive compensation for outstanding performance. The aggregate level of Incentive Plan awards that may be paid in each financial year will be determined based on performance standards established and approved by the Compensation Committee at the beginning of each financial year, and will take into account individual performance and the performance of the Corporation. The financial performance of the Corporation may be measured, from time to time, on the basis of, among other things, cash flow or earnings of the Corporation. For the financial year ended December 31, 2002, Incentive Plan awards were based on individual performance and the performance of the Corporation as measured by an increase in cash flow per share from December 31, 2001.

Long-Term Incentives — Stock Options

The Share Option Plan comprising part of the Share Incentive Plan is designed to provide a long-term incentive by encouraging each executive officer of the Corporation to own and hold Common Shares and by providing an interest to the executive officer to preserve and maximize shareholder value in the long term. The Share Option Plan also enables the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. Pursuant to the Share Option Plan, employees, including executive officers, are eligible to receive Options to acquire Common Shares at the then current trading price of the Common Shares on the TSX.

The Compensation Committee reviews Option grants annually. When granting Options, consideration is given to the exercise price and the aggregate number of Options that would be held by the executive officer of the Corporation after the grant under consideration is made, the evaluation of the former, current and potential contribution of the executive officer to the success of the Corporation, the relative position of the executive officer, the years of service of the executive officer and past grants of options to the executive officer. See “Share Incentive Plan” for a description of the Share Incentive Plan and details with respect to the options outstanding.

In determining the Chief Executive Officer’s salary and bonus amounts during the fiscal year, the Compensation Committee specifically noted the following in evaluating his performance:

In fiscal 2002, the Corporation achieved the following:

- funds from operations increased by 15% and diluted funds from operations per share increased by 30%;
- total revenue increased by 17%;
- the price of the Common Shares increased 14% over 2001;
- renewed 29% of total debt during a time of historically low interest rates;
- increased fixed rate debt as a proportion of total debt to 87%;
- the Corporation was recognized for its employment practices by Report on Business magazine, ensuring its ability to continue to attract and retain the right employees; and
- improved positioning of the Corporation for future growth.

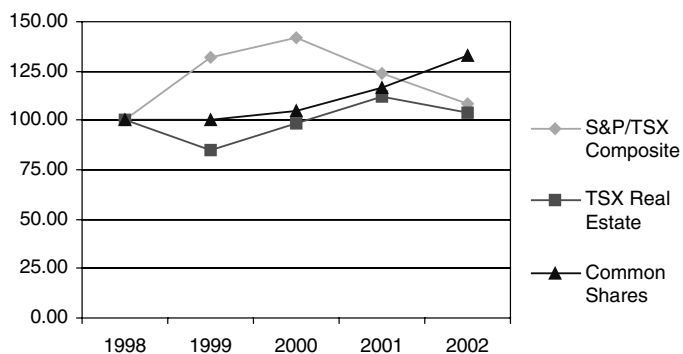
The current members of the Compensation Committee (Ned Goodman, Detlef Bierbaum, David J. Contis, Peter Crossgrove and Robert Goodall) have provided the foregoing report.

Directors’ and Officers’ Liability Insurance

The Corporation has purchased directors’ and officers’ liability insurance for the benefit of the directors and officers of the Corporation and of subsidiaries of the Corporation providing coverage in the amount of \$20,000,000 in each policy year in respect of directors and officers of the Corporation as a group. The deductible amount under the policy is \$100,000 and the Corporation paid total annual premiums in the amount of approximately \$180,000 in respect of directors and officers as a group.

Shareholder Return Performance Graph

The following graph shows the yearly percentage change in the cumulative shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index and the TSX Real Estate Index since December 31, 1995, assuming an investment of \$100 on December 31, 1997 and the reinvestment of dividends. The Common Shares were listed on the Alberta Stock Exchange until July 25, 1997 and have been listed on the TSX under the symbol “D” since July 9, 1997.



Compensation of Directors

For the financial year of the Corporation ended December 31, 2002, each of the non-management directors of the Corporation received an annual fee in the amount of \$12,500, and a fee of \$1,000 per meeting attended in person or by telephone. The Chairman receives an aggregate annual fee of \$75,000 and receives no fees for Board or Committee meetings. The Chairman of each committee of the Board of Directors receives an annual fee of \$3,000. Members of the various committees receive a fee of \$1,000 for each committee meeting attended in person or by telephone. The Corporation paid a total of \$273,500 to the non-management directors of the Corporation during the financial year ended December 31, 2002. All directors of the Corporation are reimbursed for their travel and other expenses incurred in connection with attending meetings. The directors of the Corporation are eligible to participate in the Share Incentive Plan. On January 3, 2003, non-management directors were granted Options to acquire an aggregate of 190,625 Common Shares at an exercise price of \$16.00 per share.

Statement of Corporate Governance Practices

In May 1995, the Toronto Stock Exchange adopted a by-law (the “TSX By-law”) with respect to the corporate governance of listed companies. The TSX By-law was passed in response to the Report of the Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the “TSX Report”). The TSX By-law contains a set of guidelines which are intended to assist listed companies in their approach to corporate governance but does not require listed companies to comply with these guidelines. However, pursuant to the TSX By-law, listed companies must annually disclose their approach to corporate governance.

<u>TSX Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
1. The Board should explicitly assume responsibility for stewardship of the Corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:		
(a) adoption of a strategic planning process;	Yes.	A business plan is presented to the Board of Directors of the Corporation annually for its approval. Management and the Board discuss and develop the business plan. Management provides a complete update of the business and affairs of the Corporation to the Board at each meeting of directors.
(b) the identification of the principal risks of the Corporation’s business and ensuring the implementation of appropriate systems to manage these risks;	Yes.	Inherent in the Board of Directors’ supervision of the strategic planning process and in its regular review of operating performance is the identification and understanding of the principal risks of the Corporation’s business and the oversight of management’s implementation of systems to manage those risks.
(c) succession planning, including appointing, training and monitoring senior management;	Yes.	The CEO evaluates senior management on an ongoing basis and reports to the Board of Directors at regular meetings when necessary. The Executive Committee is primarily responsible for hiring senior management, including the CEO.

<u>TSX Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
(d) a communications policy for the Corporation;	Yes.	The Corporation has a disclosure policy that is designed to ensure that communications to the investing public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements.
(e) the integrity of the Corporation's internal control and management information systems.	Yes.	Management is primarily responsible for the maintenance of internal controls and management information systems. The Audit Committee and Board of Directors monitors the Corporation's internal controls on a regular basis. The Audit Committee reviews all financial statements prior to release and receives detailed financial information quarterly or more often, if required.
2. The Board of Directors should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests arising from shareholding.	Yes.	The Board of Directors currently consists of ten members. The Board of Directors has concluded that, of the ten directors, nine (or 90%) were unrelated. Messrs. Bierbaum and Ned Goodman may, by virtue of their positions as Vice-Chairman and Chairman, respectively, be considered "officers" of the Corporation; however both individuals serve in such offices in a non-executive capacity and, as such, are considered to be outside directors. Therefore the Board of Directors is comprised of nine outside directors and one inside director.
3. The Board of Directors will also be required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion in item 2 above.	Yes.	Mr. Cooper, the President and CEO, is the only member of the Board of Directors who is not an unrelated director. All other directors are considered to be independent of management and free of any interest or business relationship that may interfere with their judgement. Because DBI held only 44.7% of the outstanding Common Shares of the Corporation at April 30, 2003, it is not a significant shareholder of the Corporation according to the definition contained in the TSX By-law (three directors of the Corporation are officers of DBI).
4. The Board of Directors should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated directors with the responsibility for proposing new nominees to the Board of Directors to the full Board of Directors and for assessing directors on an ongoing basis.	Yes.	The mandate of the Corporate Governance Committee of the Board of Directors includes: recommending candidates for the Board of Directors and reviewing, on an annual basis, the performance of the Board of Directors. All members of the Corporate Governance Committee are non-management and are unrelated.

<u>TSX Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
5. The Board of Directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors.	Yes.	The mandate of the Corporate Governance Committee includes: monitoring the quality of the relationship between management and the Board and recommending improvements; surveying the directors regarding the effectiveness of the Board of Directors and reviewing, on an annual basis, the proposed Board and committee agendas and reviewing the contributions of individual directors.
6. The Corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board of Directors.	Yes.	While no formal program is in place, when new directors are appointed, such individuals meet with management and other directors to familiarize themselves with the business of the Corporation and their responsibilities as directors. It should be noted that the Corporation has not appointed any new directors since 1998.
7. The Board of Directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.	Yes.	Assessment of the composition of the Board of Directors and its effectiveness is the responsibility of the Corporate Governance Committee. Until the resignation of Mr. Freund, the Board of Directors consisted of eleven members. The Board of Directors believes that this size and representation is adequate to effectively carry out its governance duties and responsibilities. In addition, the Board of Directors has delegated certain responsibilities to the Executive Committee to ensure a more effective, streamlined decision-making process. If the proposed Acquisition is completed, the Board of Directors of the Corporation will be reconstituted and, accordingly, the Board of Directors did not believe that it would be appropriate or necessary to replace Mr. Freund prior to the Meeting of Shareholders to consider the Acquisition.
8. The Board of Directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.	Yes.	The Board of Directors, through its Compensation Committee, periodically reviews the adequacy and form of compensation of directors.
9. Committees of the Board of Directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the Executive Committee, may include one or more inside directors.	Yes.	The Executive Committee has five members, one of the five is a “related” director and four of the five are “outside” directors. The Audit Committee, the Corporate Governance Committee, the Compensation Committee and the Environmental Committee are comprised exclusively of outside, unrelated directors.

<u>TSX Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
10. The Board of Directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Corporation's approach to governance issues.	Yes.	The Corporate Governance Committee is responsible for, among other things, overseeing and making recommendations to the directors of the Corporation on developing the approach of the Corporation to corporate governance issues.
11. (a) The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of limits to management's responsibilities;		
(i) The Board of Directors;	Yes.	The Board of Directors operates pursuant to the mandate set out in the OBCA, which is to supervise the management of the business and affairs of the Corporation. The Board also seeks to act with a view to the best interests of the Corporation. In addition, the Board of Directors has specifically delegated to management and to the Executive Committee the authority to approve transactions within a specified range of values.
(ii) The Chief Executive Officer.	Yes.	The Board of Directors defines the CEO's mandate during the strategic planning process. The CEO is given broad power to manage the Corporation. Such powers are limited by the terms of the resolution of the Board of Directors delegating the responsibility to management to approve certain transactions based on the value thereof.
(b) The Board should approve or develop the corporate objectives that the CEO is responsible for meeting.	Yes.	The Board of Directors approves or develops the corporate objectives that the CEO is responsible for meeting as part of the strategic planning process discussed in item 1(a) above.
12. The Board of Directors should have appropriate structures and procedures in place to ensure that the Board of Directors can function independently of management.	Yes.	The Board of Directors has functioned, and is of the opinion that it can continue to function, independently as required. When necessary or desirable, the Board of Directors has established committees composed of directors who are considered to be independent with respect to the issue to be determined. Mr. Ned Goodman, an unrelated director, is the Chairman of the Board of Directors of the Corporation.

<u>TSX Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
13. (a) The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties;	Yes.	The Audit Committee is responsible for: assisting the directors of the Corporation with meeting their responsibilities with respect to financial reporting by the Corporation; ensuring that at all times there are direct channels of communication between the Audit Committee and the internal and external auditors of the Corporation; enhancing the independence of the external auditors of the Corporation; periodically reviewing and reporting to the directors of the Corporation whether management of the Corporation has designed and implemented effective internal control systems; and reviewing and reporting to the directors of the Corporation on all financial statements (including interim financial statements) prepared by the Corporation and enhancing the credibility and objectivity of all financial reports.
(b) The Audit Committee of the Board of Directors should be composed only of outside directors.	Yes.	The three members of the Audit Committee are outside and unrelated directors.
14. The Board should implement a system that enables an individual director to engage an outside advisor at the expense of the Corporation.	Yes.	In the past, individual directors have engaged, and are encouraged to engage, outside advisors when necessary. The Corporate Governance Committee is responsible for determining whether an individual director may retain an outside advisor at the expense of the Corporation.

Interest of Management and Others in Material Transactions

Except as otherwise disclosed in this Information Circular, in a previous management information circular of the Corporation, or hereafter, no transaction has been entered into since January 1, 2002 or is proposed to be entered into by the Corporation involving a senior officer or director of the Corporation, a proposed management nominee for election as a director of the Corporation, the principal shareholder of the Corporation or any associate or affiliate of any of such persons or companies which has materially affected or would materially affect the Corporation or any affiliates thereof.

Price Range and Trading Volume of Common Shares

The market price range and trading volume of the Common Shares on the TSX for the periods indicated are set forth in the following table:

	TSX		
	Price per Common Share		Volume
	High	Low	
Year ended December 31, 2001			
Second quarter	\$14.70	\$ 1.55(1)	11,434,959
Third quarter	\$14.80	\$10.15	621,117
Fourth quarter	\$14.25	\$11.75	1,081,662
Year ended December 31, 2002			
First quarter	\$18.40	\$13.25	658,574
Second quarter	\$18.10	\$15.50	753,368
Third quarter	\$16.74	\$15.00	579,273
Fourth quarter	\$16.98	\$15.01	248,295
Year ending December 31, 2003			
January 2003	\$21.25	\$15.60	469,374
February 2003	\$21.49	\$20.66	357,463
March 2003	\$21.25	\$20.73	375,209
April 2003	\$21.05	\$20.75	228,989
May 2003 (through May 22, 2003)	\$21.99	\$20.76	270,017

(1) The low of \$1.55 in the second quarter of 2001 was prior to the eight to one consolidation of the Common Shares.

Other Information

The following documents filed with the various securities commissions or similar authorities in Canada are specifically incorporated by reference in and form and integral part of this Information Circular:

- (a) the Corporation's audited financial statements for the year ended December 31, 2002, together with the notes thereto and the auditors' report thereon;
- (b) the Corporation's Management's Discussion and Analysis for the year ended December 31, 2002; and
- (c) the Corporation's annual information form dated May 16, 2002.

Electronic copies of such documents will be available to be viewed or downloaded from the Corporation's website (www.dundeerealty.com). Additionally a Shareholder may request that a paper copy of such documents be mailed to it, without charge, by contacting Corporate Communications by e-mail at info@dundeerealty.com, by telephone at 416-365-3536, or by facsimile at 416-365-3545, at any time prior to the date of the Meeting.

Additional copies of this Information Circular or the Letter of Transmittal may be obtained by contacting the Corporation at the particulars noted above or by contacting Computershare Trust Company of Canada, by mail or delivery at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, by telephone toll free at 1-800-564-6253 or by facsimile at 1-866-249-7775 (or in the Toronto area (416) 263-9524), at any time prior to the date of the Meeting.

OTHER MEETING BUSINESS

Appointment of Auditors of Dundee REIT

If the Acquisition Resolution is passed by the requisite majority of Shareholders at the Meeting, the Shareholders are being asked to consider and, if thought fit, pass an ordinary resolution approving the appointment of PricewaterhouseCoopers LLP, chartered accountants, as the auditors of Dundee REIT for the ensuing year and authorizing the Trustees to fix their remuneration.

The resolution appointing PricewaterhouseCoopers LLP as the auditors of Dundee REIT and authorizing the Trustees to fix their remuneration must be approved by a simple majority of the votes cast by Shareholders voting in person or by proxy at the Meeting. The Board of Directors has concluded that the appointment of PricewaterhouseCoopers LLP, chartered accountants, as the auditors of Dundee REIT for the ensuing year and the granting of authority to the Trustees to fix their remuneration is in the best interests of the Corporation and unanimously recommends that Shareholders vote **FOR** this resolution.

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan will provide for the grant to the Trustees, officers and employees of Dundee REIT and its affiliates and their service providers (“Eligible Individuals”) of deferred trust units (“Deferred Trust Units”) and income deferred trust units (“Income Deferred Trust Units”).

Deferred Trust Units will be granted to Eligible Individuals at the discretion of the Trustees. Once vested, each Deferred Trust Unit and Income Deferred Trust Unit will entitle the holder to receive, and require Dundee REIT to issue, a REIT Unit, Series A to the holder at no cost. One-third of the Deferred Trust Units granted in each year will vest on the anniversary of the grant. Subject to an election for certain Eligible Individuals to postpone receipt of REIT Units, Series A, such REIT Units, Series A will be issued immediately following the vesting of Deferred Trust Units and Income Deferred Trust Units.

Income Deferred Trust Units will be granted to holders of Deferred Trust Units and Income Deferred Trust Units based on distributions paid by Dundee REIT on REIT Units, Series A. The number of Income Deferred Trust Units granted to a holder of Deferred Trust Units will be calculated by multiplying the aggregate number of Deferred Trust Units and Income Deferred Trust Units held on the Distribution Record Date by the amount of distributions paid by Dundee REIT on each REIT Unit, Series A and dividing the result by the market price of the REIT Units, Series A on the Distribution Record Date. Income Deferred Trust Units will vest and be paid out in REIT Units, Series A on the same date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

Any unvested Deferred Trust Units or Income Deferred Trust Units held by an Eligible Individual will be forfeited if the individual voluntarily resigns or is terminated for cause. Vesting of the Deferred Trust Units and Income Deferred Trust Units will be accelerated if the Eligible Individual is terminated without cause or retires. The Trustees can accelerate the vesting of, or make other arrangements with respect to, Deferred Trust Units and Income Deferred Trust Units if there is a change of control of Dundee REIT.

A copy of the resolution authorizing and approving the adoption of the Deferred Unit Incentive Plan is attached as Appendix C. As required by the TSX, this resolution must be approved by a majority of the votes cast by Shareholders, other than those owned by insiders of the Corporation who will participate in the plan and their associates. Accordingly, the votes of Shareholders such as DBI, its affiliates and the directors and senior officers of the Corporation will be excluded for the purposes of authorizing and approving this resolution. To the knowledge of the Corporation, the approximate number of Common Shares that will not be counted for the purpose of determining whether the required level of Shareholder approval has been obtained for this resolution is approximately 7.9 million.

The Board of Directors has concluded that the adoption of the Deferred Unit Incentive Plan is in the best interests of the Corporation and unanimously recommends that Shareholders vote **FOR** this resolution.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP (together, “Tax Counsel”), the following summaries describe, as of the date of this Information Circular, the principal Canadian federal income tax considerations generally applicable to a registered or non-registered Shareholder who acquires REIT Units, Series A pursuant to the Arrangement, and who is not an employee of the Corporation (whether or not a Management Shareholder) or a person affiliated with, related to or not dealing at arm’s length with the Corporation or DBI. The summaries are based upon the facts set out in the Information Circular, the current provisions of the Tax Act, the regulations thereunder and Tax Counsel’s understanding of the current administrative policies and assessing practices of the Canada Customs and Revenue Agency (the “CCRA”). The summaries take into account all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Information Circular, although there is no certainty such proposals will be enacted in the form proposed, if at all. The summaries do not otherwise take into account or anticipate any changes in the law, whether by judicial, governmental or legislative decision or action, or any changes in the administrative policies and assessing practices of the CCRA, nor do they take into account provincial, territorial or foreign tax legislation or considerations. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation. The summaries are also based on certificates as to certain factual matters and on the assumption that at all relevant times, the Common Shares and the REIT Units, Series A will be listed on a prescribed stock exchange such as the TSX and that, in accordance with Dundee REIT’s intention, Dundee REIT will become a registered investment under the Tax Act effective on date of its settlement.

The summaries do not deal with the Canadian federal tax considerations of a Shareholder or prospective Unitholder that is a “financial institution” for purposes of the mark-to-market rules, a Shareholder or prospective Unitholder an interest in which is a “tax shelter investment” or a Shareholder or prospective Unitholder that is a “specified financial institution”, all within the meaning of the Tax Act. Any such Shareholder or Unitholder should consult its own tax advisor.

The summaries are not exhaustive of all possible Canadian income tax considerations applicable to an investment in REIT Units, Series A. Moreover the income and other tax consequences of acquiring, holding or disposing of REIT Units, Series A will vary depending on the Unitholder’s particular circumstances, including the province(s) or territory(ies) in which the Unitholder resides or carries on business. Accordingly, the summaries are of a general nature only and are not intended to be, nor should they be construed to be, legal or tax advice or representations to any Shareholder or any prospective Unitholder. Any such Shareholder or prospective Unitholder should consult its own tax advisor with respect to its particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or local authority.

Tax Treatment of Dundee REIT and its Affiliates

Dundee REIT

Status as Mutual Fund Trust

The summaries assume that Dundee REIT will qualify as a “mutual fund trust” as defined in the Tax Act from the date of its settlement and will thereafter continuously qualify as a mutual fund trust. In order to qualify as mutual fund trust, Dundee REIT must satisfy several conditions. First, Dundee REIT (i) must be a “unit trust” that is resident in Canada for purposes of the Tax Act, (ii) must restrict its undertaking to the investing of its funds in property (other than real property or an interest in real property), the acquiring, holding, maintaining, improving, leasing or managing of any real property (or an interest in real property) that is capital property of Dundee REIT, or a combination of these activities, and (iii) must have at least 150 Unitholders each of whom holds at least 100 REIT Units which are qualified for distribution to the public and have an aggregate fair market value of not less than \$500. To qualify as a unit trust, at least 95% (by value determined without regard to voting rights) of the outstanding

REIT Units must be redeemable on the demand of the holder. Unitholders of REIT Units have the right to require Dundee REIT to redeem the REIT Units, Series A and REIT Units, Series B and these REIT Units will represent at least 95 percent of the fair market value of all units of Dundee REIT. Second, Dundee REIT must not have been established, and must not be maintained, primarily for the benefit of Non-Residents. To ensure this requirement is met, the Declaration of Trust restricts the ownership of Dundee REIT Units by Non-Residents to below 49%.

If Dundee REIT were not to qualify as a mutual fund trust at a particular time, the Canadian federal income tax considerations would be materially different in certain respects from those described herein.

Taxation of Dundee REIT

Dundee REIT is a resident of Canada for purposes of the Tax Act. In general, Dundee REIT is treated as an individual for tax purposes and is taxable on its income determined under the Tax Act from sources inside or outside Canada. Dundee REIT is subject to tax under the Tax Act in each taxation year (which is the calendar year) on its taxable income for the year which will include (i) net realized capital gains computed in accordance with the detailed provisions of the Tax Act; (ii) all interest that accrues to the end of the year or becomes receivable or is received by it 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; and (iii) distributions of income it receives on the Operating Trust Units as became payable in the year to Dundee REIT; except to the extent such income is paid or payable or deemed to be paid or payable in such year to the Unitholders of Dundee REIT and is deducted by Dundee REIT in computing its income for tax purposes. 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. Dundee REIT will not be subject to tax on any payments of principal on the Operating Trust Notes nor, generally, on any amount received as distributions on the Operating Trust Units that is in excess of the income of each Operating Trust that is paid or payable by such trust to Dundee REIT in a year. Such amounts will generally reduce adjusted cost base of the Operating Trust Units immediately prior to the receipt of such amount.

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 the reasonable expenses incurred by Dundee REIT to issue REIT Units pursuant to the Arrangement. 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.

Losses incurred by Dundee REIT cannot be allocated to Unitholders, but can be deducted by Dundee REIT in future years, in accordance with the Tax Act. Dundee REIT will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of REIT Units 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 as a result of the distribution of property *in specie* on the redemption of REIT Units.

An *in specie* redemption of the Operating Trust Notes and Operating Trust Units and the distribution by Dundee REIT of Operating Trust Notes to redeeming unitholders will 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 (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 capital gains or income which may be realized by Dundee REIT upon a distribution *in specie* of Dundee REIT's assets in connection with a redemption of a REIT Unit and designated by Dundee REIT to the redeeming Unitholders) will be payable in the year to the holders of REIT Units by way of cash distributions, subject to the exceptions described below. The Declaration of Trust provides that any income or taxable capital gain realized by Dundee REIT as a result of that redemption may, at the discretion of the Trustees, be treated as income or taxable capital gains paid to, and designated as income or taxable capital gain of, the redeeming Unitholders. Any amount 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. The Declaration of Trust further provides that Dundee REIT will make sufficient distributions in each of year of its net income and net realized capital gains for the purposes of the Tax Act and deduct for tax purposes such amount as is paid or payable to Unitholders for the year as is necessary to ensure that Dundee REIT is not liable for income tax payable under Part I of the Tax Act in any year.

Under the Declaration of Trust, income of Dundee REIT may be used to finance cash redemptions of REIT Units and to the extent that cash of Dundee REIT is so used or is otherwise unavailable for cash distributions, such income will not be payable to holders of the REIT Units by way of cash distributions but rather will be payable in the form of additional REIT Units ("Reinvested REIT Units"). Income of Dundee REIT payable to Unitholders, whether in cash, Reinvested REIT Units or otherwise, will generally be deductible by Dundee REIT in computing its taxable income.

As Dundee REIT will be 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 its Declaration of Trust to restrict its investments so that it will not become liable for such tax.

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.

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 Operating Trust Declarations, all of the income of each Operating Trust for each year (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. For purposes of the Tax Act, each Operating Trust generally intends to make sufficient distributions in each year of its net income and net realized capital gains for the purposes of the Tax Act and deduct in computing its income the full amount

available for deduction in each year to the extent of its taxable income for the year otherwise determined as is necessary to ensure that the Operating Trust is not liable for income tax payable under Part I of the Tax Act in any year.

Dundee Properties LP

Dundee Properties LP is not subject to tax under the Tax Act. Generally, each partner of Dundee Properties LP, including the Operating Trusts, 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 LP and other partnerships that form part of RP Properties and any capital gains 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 will be claimed in respect of its administrative and other expenses 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 Properties Limited Partnership Agreement, subject to the detailed rules in the Tax Act in that regard. Generally, allocations of income 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 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.

Residents of Canada

The following summary is generally applicable to a Shareholder (and prospective Unitholder) who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty, is or is deemed to be resident in Canada, holds the Common Shares (and will hold the Dundee REIT Units, Series A) as capital property and both deals at arm's length with and is not affiliated with each of Dundee REIT, the Corporation and DBI. Common Shares and REIT Units, Series A generally will be considered to be capital property to the holder unless the holder holds the Common Shares or REIT Units, Series A in the course of carrying on a business or has acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Common Shares or REIT Units, Series A as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the election permitted by subsection 39(4) of the Tax Act.

Transfer of Common Shares

A Shareholder who exchanges Common Shares to Holding for cash and Holding special warrants to acquire REIT Units, Series A as part of the Arrangement will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Common Shares. For these purposes, the proceeds of disposition will equal the sum of the cash received by the Shareholder on such disposition and the aggregate fair market value at the time of the exchange of the REIT Units, Series A acquired from Holding. The cost of the REIT Units, Series A acquired by the holder on the exchange will be equal to the fair market value thereof at the time of the exchange.

One-half of the amount of any capital gain (a “taxable capital gain”) must be included in income in the year it is realized, and one-half of the amount of any capital loss (an “allowable capital loss”) is generally deductible from taxable capital gains of the Shareholder. Allowable capital losses not deducted in the taxation year in which they are realized ordinarily may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

Where a Shareholder is a corporation, the amount of any capital loss may be reduced by the amount of dividends received or deemed to be received by the Shareholder on the Common Shares disposed of or certain other shares to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, or where a trust or partnership of which a corporation is a beneficiary or a member is itself a member of a partnership or a beneficiary of a trust that owns shares. Holders to whom these rules may be relevant should consult their own tax advisors.

Capital gains realized by an individual or certain trusts may be subject to alternative minimum tax. A “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional 6²/₃% refundable tax on certain investment income, including taxable capital gains.

Dissenting Shareholders

A Dissenting Shareholder who receives a payment from the Corporation equal to the fair market value of the Dissenting Shareholder’s Common Shares will be deemed to have received a dividend equal to the amount by which the payment, net of any interest awarded by a court, exceeds the paid-up capital of such shares, and such deemed dividend (to the extent subsection 55(2) of the Tax Act does not apply to such dividend) will reduce the proceeds of disposition for purposes of the Tax Act of such shares. A Dissenting Shareholder will also realize a capital gain (or capital loss) to the extent that the proceeds of disposition for purposes of the Tax Act of such shares, as reduced by the deemed dividend discussed above, net of any reasonable costs of disposition, exceed (or are less than) the Dissenting Shareholder’s adjusted cost base of such shares. As noted above, any capital loss otherwise determined for a Shareholder that is a corporation may be reduced by dividends received on such shares or certain other shares, including any such deemed dividend, to the extent and under the circumstances described in the Tax Act.

The income tax treatment accorded to any deemed dividend received by a Dissenting Shareholder will be that normally accorded to taxable dividends received by such Dissenting Shareholder on shares of a taxable corporation resident in Canada. Such dividends when received by an individual or certain trusts may be subject to alternative minimum tax. In respect of certain corporations, subsection 55(2) of the Tax Act provides that where a corporate holder of shares receives a dividend in specified circumstances, all or part of such dividend may be treated as a capital gain from the disposition of capital property. Shareholders who are corporations should consult their own tax advisors for advice with respect to the potential application of these provisions.

Any interest awarded to a Dissenting Shareholder by a court will be required to be included in the Dissenting Shareholder’s income for purposes of the Tax Act.

Tax Treatment of REIT Units

A Unitholder is required to include in computing income for a taxation year the Unitholder’s portion of the income of Dundee REIT for the year, including net taxable capital gains, determined for purposes of the Tax Act, that is paid or payable to the Unitholder in the year and that Dundee REIT deducts in computing its income, notwithstanding that such amount may be paid in Reinvested REIT Units or otherwise. No amount is required to be included in income in respect of bonus REIT Units, Series A received under the DRIP. The income of a Unitholder from the REIT Units, Series A will generally be considered to be income from property for the purposes of the Tax Act.

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 to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act. Accordingly, such amounts will generally be taken into account in determining the Unitholder's foreign tax credits and, in the case of a Unitholder that is an individual, the Unitholder's entitlement to the dividend tax credit. Refundable tax under Part IV of the Tax Act will be payable by Unitholders 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 refundable 6 $\frac{2}{3}$ % tax will be payable by Unitholders that are Canadian controlled private corporations in certain circumstances and the deduction in computing taxable income will be available to Unitholders that are corporations in respect of taxable dividends deemed to be received by them on shares of taxable Canadian corporations. Such amounts will also be taken into account in determining the Unitholder's liability, if any, for alternative minimum tax under the Tax Act.

Any amount in excess of the income of Dundee REIT that is paid or payable by Dundee REIT to a Unitholder in a year (including the bonus REIT Units, Series A received under the DRIP) should not generally be included in the Unitholder's income for the year. However, where such an amount is paid or becomes payable to a Unitholder, other than as proceeds of disposition or deemed disposition of REIT Units, Series A or any part thereof, the amount will generally reduce the adjusted cost base of the REIT Units, Series A held by such Unitholder, except to the extent that the amount represents the Unitholder's share of the non-taxable portion of the net capital gains of Dundee REIT for the year, the taxable portion of which was designated by Dundee REIT in respect of the Unitholder. REIT Units, Series A issued to a Unitholder in lieu of a cash distribution of income (including net capital gains) will have a cost equal to the amount of such income (and the applicable non-taxable portion of Dundee REIT's net capital gains) and this cost will be averaged with the adjusted cost base of all other REIT Units, Series A held as capital property by such Unitholder in accordance with the detailed provisions of the Tax Act in that regard.

A distribution by Dundee REIT to a Unitholder of Dundee REIT assets upon a redemption of REIT Units, Series A will be treated as a disposition of such assets by Dundee REIT for proceeds equal to their fair market value. This disposition will result in a capital or income gain (or loss) to Dundee REIT to the extent that such proceeds exceed (or are exceeded by) the cost amount to Dundee REIT of such assets. If the assets are notes of an Operating Trust, in addition, Dundee REIT will be required to include in its income any accrued interest on the notes distributed. Capital gains of Dundee REIT including those attributable to an *in specie* distribution of Dundee REIT assets and certain income of Dundee REIT may, pursuant to the Declaration of Trust, be payable and allocated to the redeeming Unitholder for tax purposes, with the result that the taxable portion of such gains and such income should generally be taxable to the redeeming Unitholder and not Dundee REIT.

Upon the disposition or deemed disposition by a Unitholder of a REIT Unit, Series A, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by Dundee REIT to such Unitholder out of capital gains or income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the REIT Unit, Series A and any reasonable costs of disposition. The adjusted cost base to a Unitholder of a REIT Unit, Series A will be determined by averaging the adjusted cost base of all REIT Units, Series A owned by that Unitholder at a particular time. For this purpose, the cost of REIT Units, Series A acquired on the reinvestment of distributions under the DRIP 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 REIT Units, Series A as a result of the receipt of bonus REIT Units, Series A under the DRIP; however, the adjusted cost base per REIT Unit, Series A will be reduced. Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a REIT Unit, Series A, the Unitholder'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 Unitholder, except to the extent that a loss on a previous disposition of a REIT Unit, Series A 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 REIT Units, Series A.

Where REIT Units, Series A are redeemed and any notes of an Operating Trust or any other assets of Dundee REIT are distributed *in specie* to the Unitholder, the proceeds of disposition to the Unitholder of the REIT Units, Series A will be equal to the fair market value of the notes or other Dundee REIT assets so distributed (excluding any amount that is paid or made payable in a year out of the income or capital gains of Dundee REIT for the year or any amount that is payable by Dundee REIT which must otherwise be included in the Unitholder's income).

Any taxable capital gain realized by a Unitholder on the disposition of a REIT Unit, Series A and the amount of any net taxable capital gains designated by Dundee REIT in respect of a Unitholder will be included in the Unitholder's income under the Tax Act in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by Dundee REIT. To the extent that the adjusted cost base of a REIT Unit, Series A would otherwise be less than zero in any taxation year of a Unitholder, the negative amount will be deemed to be a capital gain realized by the Unitholder in such taxation year from the disposition of the REIT Unit, Series A and the amount of such capital gain will be added to the adjusted cost base of the REIT Unit, Series A with the result that the adjusted cost base of the REIT Unit, Series A shall be nil at the beginning of the next year. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized on the disposition of a REIT Unit, Series A may be deducted against one-half of any capital gains realized by the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years.

The cost amount to a Unitholder, immediately after a redemption of REIT Units, Series A of the Unitholder, of any notes of an Operating Trust distributed to the Unitholder by Dundee REIT upon such redemption or upon the termination of Dundee REIT, will be equal to the fair market value of such notes at the time of the distribution less, in the case of the note of the Operating Trust, any accrued but unpaid interest thereon. The redeeming Unitholder will be required to include in income interest on any note of an Operating Trust acquired (including interest that had accrued prior to the date of the acquisition of the note by the Unitholder) in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest that had accrued prior to the date of the acquisition of the note of the Operating Trust by the Unitholder, an offsetting deduction may be available. Taxable capital gains realized by a Unitholder who is an individual or certain trusts may give rise to alternative minimum tax, depending on the Unitholder's circumstances. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

Tax-Exempt Unitholders

Provided that Dundee REIT qualifies as a "mutual fund trust" or is a "registered investment" for purposes of the Tax Act at a particular time, the REIT Units, Series A will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs") and registered education savings plans ("RESPs" and, together with RRSPs, RRIFs and DPSPs, "Plans") at such time. If Dundee REIT ceases to qualify as a mutual fund trust and Dundee REIT's registration as a registered investment under the Tax Act is revoked, the REIT Units, Series A will cease to be qualified investments under the Tax Act for Plans. Where, at the end of a month, a Plan holds REIT Units, Series A or other properties that are not qualified investments, the Plan may, in respect of that month, be required to pay a tax under Part XI.1 of the Tax Act equal to one percent of the fair market value of such properties at the time such properties were acquired by the Plan. In addition, where a trust governed by an RRSP (or an RRIF) holds (or acquires, respectively) REIT Units, Series A or other properties that are not qualified investments, the trust will become taxable on income attributable to such properties and the entire amount of any capital gain realized on their disposition while they are not qualified investments. Where a trust governed by an RESP acquires or holds REIT Units, Series A or other properties that are not qualified investments, the Plan becomes revocable and its registration may be revoked by the Minister of National Revenue. Where a trust is governed by a DPSP and acquires property that is not a qualified investment, the trust will be

required to pay a tax equal to the fair market value of the property at the time of its acquisition. Where a trust governed by an RRSP or RRIF acquires property that is not a qualified investment, the annuitant under the RRSP or RRIF will be required to include the fair market value of such property in income for tax purposes.

Plans will generally not be liable for tax in respect of any distributions received from Dundee REIT or any capital gain arising on the disposition of REIT Units, Series A. However, where a Plan receives Dundee REIT assets as a result of a redemption of REIT Units, Series A some or all of such Dundee REIT assets may not be qualified investments under the Tax Act for the Plans and could, as discussed above, give rise to adverse consequences to the Plans (and, in the case of RRSPs or RRIFs, to the annuitants thereunder). Accordingly, Plans that own REIT Units should consult their own tax advisors before deciding to exercise their redemption rights thereunder.

Provided that Dundee REIT is a “mutual fund trust” and at all relevant times restricts its holdings of foreign property within the limits provided under the Tax Act, or Dundee REIT is a “registered investment” within the meaning of the Tax Act (see “Taxation of Dundee REIT”), the REIT Units, Series A will not constitute foreign property for Plans (other than RESPs), registered pension funds or plans or other persons subject to tax under Part XI of the Tax Act. RESPs are not subject to restrictions on their holdings of foreign property under the Tax Act.

Non-Residents of Canada

The following summary is generally applicable to a Shareholder who, at all relevant times, for the purpose of the Tax Act and any applicable income tax treaty is neither resident nor deemed to be resident in Canada, holds Common Shares and will hold any REIT Units, Series A acquired pursuant to the Arrangement as capital property, both deals at arm’s length with and is not affiliated with each of Dundee REIT, the Corporation and DBI and does not use or hold, and is not deemed to use or hold, the Common Shares or REIT Units, Series A in connection with a business the Shareholder carries on, or is deemed to carry on in Canada. Special rules not discussed in this summary may apply to a Shareholder who is a Non-Resident who acquires REIT Units, Series A pursuant to the Arrangement that is an insurer that carries on business in Canada and elsewhere.

Non-Residents to whom the applicability of an income tax treaty may be relevant should consult their own tax advisors about their particular circumstances.

Disposition of Common Shares

A Shareholder who is a Non-Resident will not be subject to tax under the Tax Act on the disposition of Common Shares under the Arrangement unless those Common Shares constitute “taxable Canadian property” to the Shareholder. The Common Shares are listed on the TSX, a prescribed stock exchange for purposes of the Tax Act and, as such, generally will not be taxable Canadian property to a Non-Resident unless, at any time during the five-year period immediately preceding the disposition, the Non-Resident, persons with whom the Non-Resident did not deal at arm’s length, or the Non-Resident together with all such persons, owned 25% or more of the shares of any class or series of DRC. A Common Share of a holder may be taxable Canadian property where it was acquired in a tax-deferred transaction or where the holder elected to have the Common Share treated as taxable Canadian property upon ceasing to be a resident of Canada.

If the Common Shares of a Shareholder who is a Non-Resident are taxable Canadian property, the capital gain (or capital loss) realized upon a disposition thereof generally will be computed in the manner described above under “Residents of Canada-Transfer of Common Shares”. Any such gain may be exempt from tax under the Tax Act pursuant to the provisions of the applicable income tax treaty to which Canada is a party. Where the Common Share is “treaty-protected property” as defined in the Tax Act, a taxable capital gain or an allowable capital loss resulting from the disposition thereof will not be included or deducted in computing the income for purposes of the Tax Act of a Shareholder who is a Non-Resident. Common Shares generally will be treaty-protected property if the gain from the disposition of

such property would, because of an income tax treaty between Canada and the Shareholder's country of residence, be exempt from tax under the Tax Act.

Shareholders who are Non-Residents whose Common Shares may be taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances and regarding their obligation to file a Canadian federal income tax return.

Dissenting Shareholders

A Dissenting Shareholder who is a Non-Resident will be subject to the same income tax considerations as those set forth above with respect to Dissenting Shareholders resident in Canada except that the Non-Resident Shareholder is only subject to tax under the Tax Act on a capital gain realized on a disposition of Common Shares if the Common Shares are taxable Canadian property that is not treaty-protected property. Any interest paid or dividend deemed to be paid to a Non-Resident Shareholder will be subject to Canadian withholding tax at the rate of 25%. Such rate may be reduced or eliminated under the terms of an applicable tax treaty to which Canada is a party. Shareholders who are Non-Residents should consult their own tax advisors with respect to the consequences of dissenting from the Arrangement.

Tax Treatment of REIT Units

Distributions of income (other than net realized capital gains) on REIT Units, Series A paid or credited to a Unitholder who is a Non-Resident will be subject to Canadian withholding tax at a rate of 25%, unless such rate is reduced under the provisions of an income tax treaty between Canada and the Unitholder's country of residence. For example, residents of the United States generally will be entitled to have the rate of withholding reduced to 15% of the amount of any income distribution.

A Unitholder who is a Non-Resident will not be subject to tax under the Tax Act in respect of any capital gain, or entitled to deduct a capital loss, realized on a disposition of REIT Units, Series A (whether on redemption, by virtue of a Unitholder's adjusted cost base becoming negative or otherwise) unless the property disposed of constitutes "taxable Canadian property" of the Unitholder who is a Non-Resident and the Unitholder is not entitled to relief under the applicable income tax treaty. REIT Units, Series A of a Unitholder who is a Non-Resident generally will not be considered to be taxable Canadian property unless either: (i) at any time during the 60-month period immediately preceding the disposition by such holder, not less than 25% of the issued REIT Units, Series A were owned by the holder, by persons with whom the holder did not deal at arm's length or by any combination thereof; (ii) at the time of disposition, Dundee REIT is not a "mutual fund trust" for purposes of the Tax Act or (iii) the REIT Units Series A are otherwise deemed to be taxable Canadian property.

RISK FACTORS

Risk factors specific to completion of the Acquisition and an investment in REIT Units of Dundee REIT include but are not limited to the following:

Risks Inherent in the Real Estate Development and Investment Industry May Affect the Financial Performance of Dundee REIT

Real estate development and investment are generally subject to varying degrees of risk, depending on the nature of the property. Such risk includes changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of office, industrial and retail properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition of others with available space, the ability of the owner to provide adequate maintenance at an economic cost and other factors.

The portfolio of real properties indirectly owned by Dundee REIT will generate income through rent payments made by the tenants thereof. Accordingly, the value of this portfolio of real properties and any improvements thereto may also depend on the credit and financial stability of the commercial tenants and upon the vacancy rates of the commercial revenue producing properties. Dundee REIT's Distributable Income would be adversely affected if a significant number of commercial tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the commercial revenue producing properties in which Dundee REIT will have an interest were not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Dundee REIT's investment may be incurred. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of such tenant and, thereby, cause a reduction in the cash flow available to Dundee REIT.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons including the cyclical nature of global or local economies. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made regardless of whether or not a property is producing sufficient income to service such expenses. Dundee REIT will have outstanding indebtedness upon completion of the Arrangement of approximately \$510 million, comprised of existing mortgages on the real properties in the RP Properties. A portion of the cash flow generated by the RP Properties will be devoted to servicing such debt, and there can be no assurance that these properties will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Dundee REIT is unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the exercise by the mortgagee of its rights of foreclosure or sale.

The Illiquidity of Real Estate Investments May Limit the Ability of Dundee REIT to Vary its Portfolio in Response to Changing Economic or Investment Conditions

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the ability of Dundee REIT to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession Dundee REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for Dundee REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Competition in the Office, Industrial and Retail Real Estate Market May Adversely Affect the Financial Performance of Dundee REIT

Dundee REIT will compete with other investors, developers, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the commercial office, industrial and retail properties of the competitors of Dundee REIT are newer, better located or better capitalized than the RP Properties. Certain of these competitors have greater financial and other resources and greater operating flexibility than Dundee REIT. The existence of competing developers, managers and owners could have a material adverse effect on the ability of Dundee REIT to acquire attractive properties, to lease space in its properties and on the rents charged by Dundee REIT, and could adversely affect the revenues of Dundee REIT and its ability to meet its obligations.

Failure to Obtain Necessary Regulatory Approvals for the Development of Real Estate Properties May Delay or Lead to the Cancellation of Proposed Developments

From time to time the development of properties by Dundee REIT will or may require zoning and other approvals from local governmental agencies. The process of obtaining such approvals may take many months and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought and delays can render a project uneconomic.

The Trustees and Executive Officers of Dundee REIT May be put in a Position of Conflict as a Result of their Positions Held and Interests in Other Businesses

Certain of the Trustees and executive officers of Dundee REIT are also directors and officers of other entities such as Dundee Management LP, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of Dundee REIT. Consequently, there exists the possibility for such Trustees and executive officers to be in a position of conflict. Pursuant to the Declaration of Trust, all decisions to be made by such Trustees and executive officers which involve Dundee REIT are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of Dundee REIT and its Unitholders. In addition, such Trustees and executive officers are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest.

Environmental Contamination on RP Properties May Expose Dundee REIT to Liability and Adversely Affect its Financial Performance

As an owner of real property, Dundee REIT is subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that Dundee REIT or its subsidiary entities could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure, if any, to remove such substances or remediate such locations could adversely affect Dundee REIT's ability to sell such real estate or to borrow using such real estate as collateral and, potentially, could also result in claims against Dundee REIT. In order to obtain financing for the purchase of a new property through traditional channels, Dundee REIT may be requested to arrange for an environmental audit to be conducted. Although such an audit provides both Dundee REIT and its lenders with some assurance, Dundee REIT may become subject to liability for undetected pollution or other environmental hazards on its properties against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to Dundee REIT's perception of relative risk.

Dundee REIT will have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

Some of the RP Properties including, in particular, the industrial properties, have tenants that use hazardous or toxic substances or create waste. There are also retail gas stations located at some of the RP Properties. Such uses can potentially create environmental liabilities. In addition, asbestos containing materials, underground storage tanks, petroleum hydrocarbons and lead paint are known to be present at certain of the RP Properties. Where circumstances so warrant, designated substance surveys and/or Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If required, management of Dundee REIT intends to remediate such situations. Notwithstanding the above, management of Dundee REIT is not aware of any environmental conditions with respect to any of the RP Properties that it believes would involve material expenditure by Dundee REIT.

Insurance to protect against environmental accidents will be in place in respect of certain of the RP Properties. In addition, certain of the existing tenant leases in respect of the RP Properties specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations.

Dundee REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, Dundee REIT does not believe that costs relating to environmental matters will have a material adverse effect on Dundee REIT's business, financial condition or results of operations. However, environmental laws and regulations can change and Dundee REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Dundee REIT's business, financial condition or results of operation.

Losses of Key Personnel May Affect the Ability of Dundee REIT to Operate Effectively

The operations of Dundee REIT are highly dependent upon the participation of its key executives. While Dundee REIT believes that it could find replacements for these key executives, the loss of their services and the inability of Dundee REIT, the Corporation or Dundee Management LP to attract and retain qualified and experienced personnel may materially affect the ability of Dundee REIT to operate and expand.

Risks Relating to the Construction of Real Estate Properties May Adversely Affect the Financial Performance of Dundee REIT

Dundee REIT may choose not to develop land holdings it may have from time to time due to, among other reasons, market conditions or the inability to raise necessary funding for construction. If Dundee REIT continues or proceeds with development of a land holding, properties under construction, or those that are to be constructed, it will be subject to risks. Such risks include lack of funding, variability in construction costs and unforeseeable delays, the failure of tenants to occupy and pay rent in accordance with existing lease agreements and the failure of customers to complete transactions, all of which may adversely affect the financial performance of Dundee REIT.

Failure to Obtain Additional Financing on Acceptable Terms May Limit the Ability of Dundee REIT to Grow its Portfolio

Dundee REIT may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the initial term of the financing or refinancing of any particular property or operating debt facility owned by Dundee REIT, refinancing may not be available in the amounts required or may be available only on terms less favourable to Dundee REIT than existing financing. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to the Unitholders of Dundee REIT.

Fluctuations in Interest Rates May Affect the Cost of Borrowing to Dundee REIT

Current financing in respect of certain of the RP Properties include indebtedness with interest rates based on prime lending rates, bankers' acceptance rates and LIBOR, which will result in fluctuations in the cost of borrowing in respect of such properties.

Fluctuations in Foreign Exchange Rates May Adversely Affect the Financial Performance of Dundee REIT

While Dundee REIT will maintain its accounts in Canadian dollars, certain of the RP Properties are located in the United States. Accordingly, Dundee REIT will be subject to foreign currency fluctuations which may, from time to time, impact its financial position and results. However, Dundee REIT will mitigate any such risk by matching revenue earned in U.S. dollars from RP Properties located in the United States against U.S. liabilities in respect of such RP Properties.

Certain of the RP Properties are Subject to Long-Term Ground Leases

As at April 30, 2003, three of the RP Properties are subject to long-term ground leases pursuant to which all or a portion of the underlying land is owned by a third-party and is or will be leased (or sub-leased) to Dundee REIT. Under the terms of a typical ground lease, Dundee REIT will pay rent for the use of the land and will be generally responsible for all costs and expenses associated with the building improvements. Unless the lease is extended or Dundee REIT exercises its option to purchase the property, where available, the land together with all improvements thereon will revert to the landowner upon the expiration of the lease term. The earliest land lease expiration on any of the RP Properties following the exercise of all renewal options is June 29, 2060. An event of default by Dundee REIT under the terms of a ground lease could also result in a loss of the property subject to such ground lease. The ground leases may provide for restrictions on financing or refinancing the properties subject to the ground lease and the transferability of the interests in such properties.

Investments in, and Profits and Cash Flows from, RP Properties May be Lost in the Event of Uninsured or Underinsured Losses to RP Properties or Losses from Title Defects

Dundee REIT will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specification limits and deductibles customarily carried for similar properties. Dundee REIT will also self insure a portion of certain risks. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination), which are either uninsurable or not insurable on an economically viable basis. Dundee REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, but will only carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Dundee REIT could lose its investment in, and anticipated profits and cash flows from, one or more of the RP Properties, but Dundee REIT would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Additionally, Dundee REIT generally will have owners' title insurance policies with respect to its United States properties. However, the amount of coverage under such policies may be less than the full value of such properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, Dundee REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

Accelerated Compliance Obligations under the Americans with Disabilities Act May Adversely Affect the Cash Flow of Dundee REIT

All of the RP Properties situated in the United States are required to comply with the Americans with Disabilities Act (the "ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities", but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in the imposition of fines by the United States government or an award

of damages to private litigants. Dundee REIT believes that the costs of compliance with the ADA will not have a material adverse effect on Dundee REIT's business, financial condition or results of operations. However, if the changes must be made on a more accelerated basis than Dundee REIT anticipates, cash flow could be materially and adversely affected.

Investments in Real Estate Properties Through Joint Venture, Partnership and Co-Ownership Agreements May Restrict the Ability of Dundee REIT to Deal with Those Properties or Expose Dundee REIT to Liability

Upon completion of the Arrangement, Dundee REIT and/or Dundee Properties LP will become a participant in joint ventures and partnerships with third parties in respect of certain of the RP Properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-venturers/ partners may at any time have economic or business interests or goals that will be inconsistent with those of Dundee REIT or take actions contrary to the instructions or requests of Dundee REIT or to the policies or objectives of Dundee REIT with respect to its real estate investments, (ii) the risk that such co-venturers/ partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on Dundee REIT to maintain and operate such properties or repay the co-venturers'/ partners' share of property debt guaranteed by Dundee REIT or for which Dundee REIT will be liable and/or result in Dundee REIT suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/ partners may, through their activities on behalf of or in the name of, the ventures or partnerships, expose or subject Dundee REIT to liability, and (iv) the need to obtain co-venturers'/ partners' consents with respect to certain major decisions, including the decision to distribute cash or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when Dundee REIT may not desire to sell but may be forced to do so because it does not have the cash to purchase the other party's interests. Such rights may also inhibit the ability of Dundee REIT to sell an interest in a property or a joint venture/ partnership within the time frame or otherwise on the basis desired by Dundee REIT. The investment by Dundee Properties LP in properties through joint venture and partnership agreements is subject to the investment guidelines set out in "Information Concerning Dundee Properties LP — Investment Guidelines".

Forward-Looking Information in this Information Circular may Prove Inaccurate

The Corporation has made forward-looking statements in this Information Circular that are subject to risks and uncertainties. Shareholders should note that many factors, some of which are discussed elsewhere in this Information Circular, could affect the future financial results of Dundee REIT and could cause those results to differ materially from those expressed in the forward-looking statements.

Dependence on OTA, OTB and Dundee Properties LP

Dundee REIT will be entirely dependent on the business of Dundee Properties LP through its ownership of OTA, OTB and, indirectly, Dundee Properties LP. The cash distributions to Unitholders will be dependent on the ability of OTA and OTB to pay distributions in respect of the OTA Units, OTB Units and interest on the OTA and OTB Notes, respectively, and the ability of Dundee Properties LP to pay distributions on the LP Class A Units and LP Class B Units. The ability of Dundee Properties LP to pay distributions or make other payments or advances to OTA or OTB may be subject to contractual restrictions contained in any instruments governing the indebtedness of Dundee Properties LP. The ability of Dundee Properties LP to pay distributions or make other payments or advances will also be dependent on the ability of Dundee Properties LP's subsidiaries to pay distributions or make other payments or advances to Dundee Properties LP.

Cash Distributions are not Guaranteed and May Fluctuate with Dundee REIT's Financial Performance

Although Dundee REIT intends to distribute its Distributable Income, the actual amount of Distributable Income distributed in respect of the REIT Units will depend upon numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Dundee REIT.

The distribution policy of Dundee REIT will be established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees.

Distributable Income may exceed actual cash available to Dundee REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures and redemption of REIT Units, if any. Dundee REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Dundee REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

Increases in Interest Rates May Adversely Affect the Market Price of REIT Units, Series A

One of the factors that may influence the market price of the REIT Units, Series A is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of REIT Units, Series A to expect a higher annual yield which could adversely affect the market price of the REIT Units, Series A. In addition, the market price for the REIT Units, Series A may be affected by changes in general market conditions, fluctuations in the markets for equity securities, short term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of Dundee REIT.

Unitholders will not have Legal Rights Normally Associated with the Ownership of Shares of a Corporation

The REIT Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. As holders of REIT Units, Unitholders will not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against Dundee REIT. The REIT Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, Dundee REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

The Ability of Unitholders to Redeem REIT Units is Subject to Restrictions

It is anticipated that the redemption right attached to the REIT Units will not be the primary mechanism by which holders of such REIT Units liquidate their investments. The entitlement of holders of REIT Units, Series A and REIT Units, Series B to receive cash upon the redemption of their REIT Units, Series A or REIT Units, Series B is subject to the limitations that: (i) the total amount payable by Dundee REIT in respect of such REIT Units, Series A or REIT Units, Series B and all other REIT Units, other than Special REIT Units, tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitations may be waived at the discretion of the Trustees); (ii) at the time such REIT Units, Series A or REIT Units, Series B are tendered for redemption, the outstanding Dundee REIT units of the applicable series (or in the case of REIT Units, Series B, where that series is not listed, REIT Units, Series A) shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for such series of Dundee REIT units; and (iii) the normal trading of the REIT Units, Series A or REIT Units, Series B is not suspended or halted on any stock exchange on which such series of Dundee REIT units (or in the case of REIT Units, Series B, where that series is not listed, REIT Units, Series A) are listed (or, if not listed on a stock exchange, on any market on which such series of

Dundee REIT units are quoted for trading) on the redemption date or for more than five trading days during the 20-day trading period commencing immediately after the redemption date.

Regulatory Approvals May be Required in Connection with a Distribution of Securities on a Redemption of REIT Units or the Termination of Dundee REIT

Upon a redemption of REIT Units or termination of Dundee REIT, the Trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for RRSPs, RRIFFs, DPSPs or RESPs, depending upon the circumstances at the time.

An Investment in REIT Units, Series A is Subject to Certain Tax Considerations

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of REIT Units. If Dundee REIT ceases to qualify as a “mutual fund trust” or “registered investment” under the Tax Act, the income tax considerations described herein under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects, including that REIT Units may cease to be qualified investments for Plans and may become foreign property for Plans and other tax-exempt entities. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. See “Certain Canadian Federal Income Tax Considerations”.

The Declaration of Trust of Dundee REIT provides that a sufficient amount of Dundee REIT’s net income and net realized capital gains will be distributed each year to Unitholders in cash, or otherwise in order to eliminate Dundee REIT’s liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains of Dundee REIT in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional REIT Units and to holders of LP Class B Units, Series 1 in the form of additional limited partnership units. Unitholders will generally be required to include an amount equal to the fair market value of those REIT Units in their taxable income, in circumstances where they do not directly receive a cash distribution.

Although Dundee REIT is of the view that all expenses to be claimed by Dundee REIT, OTA, OTB and Dundee Properties LP will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by Dundee REIT will have been correctly determined and that the allocation of Dundee Properties LP’s income for purposes of the Tax Act among its partners is reasonable, there can be no assurance that the Tax Act, or the interpretation of the Tax Act will not change, or that the CCRA will agree. If CCRA successfully challenges the deductibility of such expenses or the allocation of such income, Dundee Properties LP’s allocation of taxable income to the Operating Trusts, and indirectly the taxable income of Dundee REIT and the Unitholders, will increase or change.

The extent to which distributions will be tax deferred in the future will depend in part on the extent to which entities indirectly owned by Dundee REIT are able to deduct capital cost allowance relating to the RP Properties held by them.

Dundee REIT will endeavour to ensure that the REIT Units continue to be qualified investments for RRSPs, RRIFFs, DPSPs and RESPs, and that the REIT Units are not foreign property under the Tax Act; however, there can be no assurance that this will be so. REIT Units will cease to be qualified investments for RRSPs, RRIFFs, DPSPs and RESPs if Dundee REIT ceases to qualify as a mutual fund trust and its registration as a registered investment under the Tax Act is revoked and may become foreign property if Dundee REIT’s registration as a registered investment is revoked. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and on excess holdings of foreign property by certain investors. See “Certain Canadian Federal Income Tax Considerations”.

Since Dundee Properties LP will acquire the relevant properties on a tax deferred basis its tax cost in certain properties will be less than their fair market value. Accordingly, if one or more properties are disposed of, the gain recognized by Dundee Properties LP will be in excess of that which it could have realized if it acquired the properties at their fair market values.

Any disposition by Dundee REIT or its subsidiary entities of real estate located in the U.S. will be potentially subject to U.S. tax.

There is a Remote Possibility that Unitholders May be Held Personally Liable for Obligations or Liabilities of Dundee REIT

Recourse for any liability of Dundee REIT is intended to be limited to the assets of Dundee REIT. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an “annuitant”) will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Dundee REIT or of the Trustees.

Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of Dundee REIT (to the extent that claims are not satisfied by Dundee REIT) in respect of contracts which Dundee REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities.

Draft legislation in Ontario has been proposed that, if enacted, would provide that unitholders of a trust established under the laws of the Province of Ontario that is a reporting issuer within the meaning of securities laws in such province will not be personally liable for the obligations and liabilities of the trust or any of its trustees. However, such legislation may or may not be approved and, if approved, may not be approved in the form proposed. Pending the enactment of such legislation, the Trustees intend to cause Dundee REIT’s activities to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Dundee REIT contain an express disavowal of liability against the Unitholders (which in the opinion of counsel will be effective).

However, in conducting its affairs, Dundee REIT will be indirectly acquiring real property investments, including its interest in the RP Properties, subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations under mortgages on the RP Properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Dundee REIT may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by Dundee REIT, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of Dundee REIT where the liability is not disavowed as described above. In the opinion of counsel, the likelihood of any personal liability attaching to Unitholders or annuitants under the laws of the Ontario for contract claims where the liability is not so disavowed is remote.

Unitholders May be Diluted if Dundee REIT Issues Additional REIT Units, Series A

Dundee REIT may issue additional REIT Units, Series A from time to time as the Trustees of Dundee REIT may, in their sole discretion, determine, and the interests of the Unitholders may be diluted thereby.

Prior to the Arrangement There Will Have Been no Public Market for REIT Units, Series A

Dundee REIT is a newly-formed unincorporated open-end real estate investment trust. Dundee REIT cannot predict at what price the REIT Units, Series A will trade and there can be no assurance that an active trading market in the REIT Units, Series A will develop or be sustained. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying

value of its real estate assets. In addition, no market exists and no market is expected to develop for the REIT Units, Series B or the LP Class B Units.

RIGHTS OF DISSENT

Pursuant to the terms of the Interim Order, a registered Shareholder is entitled to dissent from the Acquisition Resolution in the manner provided in Section 185 of the OBCA. Section 185 of the OBCA is reprinted in its entirety as Appendix I to this Information Circular. The following summary is qualified in its entirety by the provisions of Section 185 of the OBCA, the Interim Order and the Plan of Arrangement.

A Dissenting Shareholder will be entitled, in the event the Arrangement becomes effective, to be paid by the Corporation the fair value of the Common Shares held by such Dissenting Shareholder determined as at the close of business on the day before the Acquisition Resolution is adopted. There can be no assurance that such fair value will be greater than or equivalent to the consideration offered to Shareholders under the Arrangement.

Section 185 provides that a shareholder may only make a claim under that section with respect to all the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a registered Shareholder may only exercise the right to dissent under section 185 in respect of Common Shares which are registered in that Shareholder's name. In many cases, shares beneficially owned by a person (a "Non-Registered Holder") are registered either: (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares (such as banks, trust companies, securities dealers and brokers, trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, and their nominees); or (b) in the name of clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise the right to dissent under section 185 directly (unless the Common Shares are re-registered in the Non-Registered Holder's name). A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary with whom the Non-Registered Holder deals in respect of the Common Shares and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder's behalf (which, if the Common Shares are registered in the name of CDS or other clearing agency, would require that the Common Shares first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to request that the Common Shares be registered in the name of the Non-Registered Holder, in which case such holder would have to exercise the right to dissent directly (that is, the intermediary would not be exercising the right of dissent on such holder's behalf).

A Shareholder who wishes to dissent must provide to the Corporation (at 30 Adelaide Street East, Suite 1600, Toronto, Ontario M5C 3H1, Attn: General Counsel), a written objection to the Acquisition Resolution (a "Dissent Notice") at or before the Meeting. The filing of a Dissent Notice does not deprive a Shareholder of the right to vote; however, the OBCA provides, in effect, that a Shareholder who has submitted a Dissent Notice and who votes in favour of the Acquisition Resolution will no longer be considered a Dissenting Shareholder with respect to the Common Shares voted in favour of the Acquisition Resolution. The OBCA does not provide, and the Corporation will not assume, that a vote against the Acquisition Resolution or an abstention constitutes a Dissent Notice but a registered Shareholder need not vote his or her Common Shares against the Acquisition Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Acquisition Resolution does not constitute a Dissent Notice; however, any proxy granted by a registered Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Acquisition Resolution, should be validly revoked (see "The Meeting — Appointment and Revocation of Proxies") in order to prevent the proxy holder from voting such Common Shares in favour of the Acquisition Resolution and thereby causing the registered Shareholder to forfeit his or her right to dissent. Under the OBCA, there is no right of partial dissent and, accordingly, a Dissenting Shareholder

may dissent only with respect to all Common Shares held by him or her on behalf of any one beneficial owner which are registered in the name of the Dissenting Shareholder.

The Corporation is required, within 10 days after adoption of the Acquisition Resolution, to notify each Dissenting Shareholder that the Acquisition Resolution has been adopted, but such notice is not required to be sent to any Shareholder who voted for the Acquisition Resolution or who has withdrawn his or her Dissent Notice.

A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the Acquisition Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the Acquisition Resolution has been adopted, send to the Corporation a written notice (a "Payment Demand") containing his or her name and address, the number of Common Shares in respect of which the Dissenting Shareholder dissented, and a demand for payment of the fair value of such shares. Within 30 days after a Payment Demand, the Dissenting Shareholder must send to the Corporation's transfer agent, Computershare Trust Company of Canada, at the address set out in the Notice of Meeting attached to this Information Circular, the certificates representing the Common Shares in respect of which he or she has dissented. A Dissenting Shareholder who fails to send the certificates representing the Common Shares in respect of which he or she has dissented forfeits his or her right to make a claim under Section 185 of the OBCA. The Corporation's transfer agent will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder.

On filing a Dissent Notice that is not withdrawn prior to the termination of the Meeting, a Dissenting Shareholder ceases to have any rights as a Shareholder, other than the right to be paid the fair value of his or her Common Shares as determined under Section 185 of the OBCA, unless: (i) the Dissenting Shareholder withdraws the Demand for Payment before the Corporation makes a written offer to pay (the "Offer to Pay"); (ii) the Corporation fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his or her Demand for Payment; or (iii) the directors of the Corporation revoke the Arrangement Resolution, in all of which cases the Dissenting Shareholder's rights as a Shareholder are reinstated and such Common Shares shall be subject to the Arrangement if it has been completed.

In addition, pursuant to the Plan of Arrangement, registered Shareholders who duly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid fair value for their Common Shares shall be deemed to have transferred their Common Shares to the Corporation as at the Effective Time of the Arrangement; or
- (b) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Common Shares in accordance with Section 185 of the OBCA, shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of Common Shares and shall receive cash and REIT Units, Series A on the basis determined in accordance with the Plan of Arrangement.

The Corporation is required, not later than seven days after the later of the Effective Date or the date on which the Corporation received the Payment Demand of a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a Payment Demand to it a written offer to pay ("Offer to Pay") for his or her Common Shares in an amount considered by the Corporation's Board to be the fair value thereof, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay, as between shares of the same class, must be on the same terms. The amount specified in the Offer to Pay which has been accepted by a Dissenting Shareholder shall be paid by the Corporation within 10 days after the acceptance by the Dissenting Shareholder of the Offer to Pay, but any such Offer to Pay lapses if the Corporation does not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

If the Corporation fails to make an Offer to Pay or if a Dissenting Shareholder fails to accept an offer that has been made, the Corporation may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Common Shares of Dissenting Shareholders. If the Corporation fails to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to a court, all Dissenting Shareholders whose Common Shares have not been purchased by the Corporation will be joined as parties and bound by the decision of the court, and the Corporation will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of his or her right to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any person is a Dissenting Shareholder who should be joined as a party, and the court will then fix a fair value for the Common Shares of all Dissenting Shareholders. The final order of a court will be rendered against the Corporation in favour of each Dissenting Shareholder and for the amount of the fair value of his or her Common Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment.

The above is only a summary of the Dissenting Shareholder provisions of the OBCA, which are technical and complex. It is suggested that any Shareholder wishing to avail himself or herself of his or her rights under those provisions seek his or her own legal advice as failure to comply strictly with the provisions of the OBCA may prejudice his or her right of dissent.

INTEREST OF CERTAIN PERSONS IN THE ACQUISITION AND INTENTIONS OF SUCH PERSONS

To the knowledge of the directors and officers of the Corporation, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over, more than 10% of the outstanding Common Shares are as set out under “The Meeting — Voting Securities and Principal Holder Thereof”.

As of April 30, 2003, the directors and senior officers of the Corporation own beneficially, directly or indirectly, or exercise control or direction over an aggregate of 876,490 Common Shares and Options to acquire approximately 1,502,624 Common Shares. Management of the Corporation understands that each of the Corporation’s directors and officers presently intends to vote the Common Shares owned or controlled by him or her in favour of the Acquisition Resolution and the other resolutions proposed to be considered at the Meeting. Such votes attached to the Common Shares will be counted in respect of the 66⅔% approval of the Acquisition Resolution required by the OBCA, but the votes attached to the Common Shares owned directly or indirectly or controlled by DBI, certain of its affiliates and the directors and senior officers of the Corporation, will not be counted for the purposes of the majority of the Minority Shareholders approval required by OSC Rule 61-501 and CVMQ Policy Q-27. As required by the TSX, the resolution authorizing and approving the adoption of the Deferred Unit Incentive Plan by Dundee REIT must be approved by a majority of the votes cast by Shareholders, other than those owned by insiders of the Corporation who will participate in the plan and their associates. Accordingly, the votes of Shareholders such as DBI, its affiliates and the directors and senior officers of the Corporation will be excluded for the purposes of authorizing and approving this resolution.

None of the principal holders of Common Shares, any director or senior officer of the Corporation, any proposed nominee for election as a director or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting or any transactions relating to such matters except as disclosed elsewhere in this Information Circular or in the documents incorporated herein by reference.

EXPENSES OF THE ARRANGEMENT

The estimated costs to be incurred by the Corporation relating to the Arrangement including, without limitation, financial advisory, accounting and legal fees, the preparation and printing of this Information Circular and other out-of-pocket expenses are expected to aggregate approximately \$6 million and will be paid by the Corporation. However, if the Acquisition is successful, these costs will, in effect, be borne by DBI and the Management Shareholders by virtue of their ownership of the Corporation.

LEGAL MATTERS

Osler, Hoskin & Harcourt LLP, Canadian legal counsel to the Corporation, has advised the Corporation with respect to certain Canadian legal matters disclosed in this Information Circular. Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP has acted as special tax counsel to the Corporation and advised the Corporation with respect to certain Canadian legal matters disclosed in this Information Circular. Dorsey & Whitney LLP, special U.S. counsel to the Corporation, has advised the Corporation with respect to certain U.S. legal matters disclosed in this Information Circular.

As of the date hereof, partners and associates of each of these firms each owned beneficially, directly or indirectly, less than 1% of the Common Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP, based on the current provisions of the Tax Act and upon the assumptions set out in “Certain Canadian Federal Income Tax Considerations”, the REIT Units will be qualified investments under the Tax Act on the date on which the Arrangement is completed for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, “Plans”) provided Dundee REIT is a mutual fund trust or a registered investment under the Tax Act on that date. In the opinion of such counsel, based in part on a certificate of the Corporation as to factual matters, the current provisions of the Tax Act and upon the assumptions set out in “Certain Canadian Federal Income Tax Considerations”, the REIT Units will not constitute “foreign property” on the date on which the Arrangement is completed, if issued on that date, for the purposes of the tax imposed under Part XI of the Tax Act on Plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension funds or plans provided that Dundee REIT is a mutual fund trust under the Tax Act on that date and at all relevant times restricts its investment in foreign property or is a registered investment under the Tax Act on that date. Registered education savings plans are not subject to the foreign property rules.

OTHER BUSINESS

Management of the Corporation is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying forms of proxy confer discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting.

APPROVAL OF DIRECTORS

The directors of the Corporation have approved the contents of this Information Circular and the sending thereof to Shareholders.

By Order of the Board

A handwritten signature in black ink, appearing to read "MJ Cooper", with a long horizontal flourish extending to the right.

MICHAEL J. COOPER
*President and Chief
Executive Officer*

May 23, 2003.

APPENDIX A

BOARD SIZE RESOLUTION

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The shareholders determine that the number of directors of the Corporation and the number of directors to be elected at each annual meeting of the shareholders shall be 10.
2. The directors are empowered to determine from time to time, by board resolution, the number of directors and the number of directors to be elected at annual meetings of the shareholders.

APPENDIX B
ACQUISITION RESOLUTION

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The acquisition (the “Acquisition”) of the Corporation as described in the management information circular of the Corporation dated May 23, 2003 (the “Information Circular”) including:
 - (a) the sale (the “RP Properties and Property Management Sale”) by the Corporation of (i) those commercial revenue producing properties described in the Information Circular to Dundee Properties Limited Partnership, which will be indirectly partially owned by Dundee Real Estate Investment Trust, and (ii) the Corporation’s property management business to Dundee Management Limited Partnership, being substantially all of the assets of the Corporation, all in the manner contemplated in the Information Circular; and
 - (b) the arrangement (the “Arrangement”) under Section 182 of the *Business Corporations Act* (Ontario) (the “OBCA”) of the Corporation, substantially as set forth in the plan of arrangement (the “Plan of Arrangement”) attached as Schedule I to the acquisition agreement dated May 20, 2003 among the Corporation, Dundee Bancorp Inc., Dundee Real Estate Investment Trust, Dundee Properties Operating Trust A, Dundee Properties Operating Trust B, Dundee Properties Limited Partnership and Dundee Management Limited Partnership (the “Acquisition Agreement”) attached as Appendix D to the Information Circular,is authorized and approved.
2. Notwithstanding that this special resolution has been passed by the shareholders of the Corporation or that the Arrangement has been approved by the Superior Court of Justice of Ontario (the “Court”), the directors of the Corporation are hereby authorized without the further approval of the shareholders to:
 - (a) amend the Acquisition Agreement or the Plan of Arrangement to the extent permitted under their terms;
 - (b) decide not to proceed with the RP Properties and Property Management Sale and the Arrangement at any time prior to the acceptance for filing by the Director appointed under the OBCA of the Articles of Arrangement; and
 - (c) revoke this special resolution before it is acted on.
3. Any one officer or director of the Corporation is authorized to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments (including the Articles of Arrangement for filing with the Director appointed under the OBCA) and to do or cause to be done all such other acts and things as such officer or director of the Corporation shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of such act or thing.

APPENDIX C

DEFERRED UNIT INCENTIVE PLAN RESOLUTION

In the event that the Acquisition Resolution (as defined in the management information circular of the Corporation dated May 23, 2003 (the "Information Circular") is authorized and approved by the requisite majority of shareholders (as described in the Information Circular),

RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The adoption of the deferred unit incentive plan by Dundee Real Estate Investment Trust, substantially in the form attached as Schedule A to this resolution, is authorized and approved.
2. The reservation by Dundee Real Estate Investment Trust of 500,000 REIT Units, Series A (as defined in the Information Circular) to be issuable under the deferred unit incentive plan is authorized and approved.
3. Any director or officer of the Corporation is authorized to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, agreements and instruments as are necessary or desirable and to do or cause to be done all such other acts and things as such director or officer of the Corporation shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolutions, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of such act or thing.

**SCHEDULE A TO APPENDIX C —
DEFERRED UNIT INCENTIVE PLAN RESOLUTION**

**DUNDEE REAL ESTATE INVESTMENT TRUST
DEFERRED UNIT INCENTIVE PLAN
FOR
TRUSTEES, SENIOR MANAGEMENT AND CONSULTANTS**

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ARTICLE 1
INTRODUCTION

1.1 Purpose

The Plan is intended to enhance the ability of the Dundee REIT to attract and retain high quality trustees, senior management employees and consultants and to promote a greater alignment of interests between such individuals and the unitholders of the Dundee REIT.

1.2 Definitions

As used in the Plan, the following terms have the respective meanings:

“**Account**” means an account maintained for each Participant on the books of the Dundee REIT which will be credited with Deferred Trust Units and Income Deferred Trust Units in accordance with the terms of the Plan.

“**Affiliated Entities**” shall have the meaning ascribed thereto in Ontario Securities Commission Rule 45-503 — Trades to Employees, Executives and Consultants.

“**Allocation Date**” shall have the meaning given in Section 3.1.

“**Associate**” has the meaning set forth in the *Securities Act* (Ontario).

“**Acquiror**” shall have the meaning specified in Section 4.2.

“**Board**” means the Board of Trustees of the Dundee REIT.

“**Business Day**” means a day, other than a Saturday or Sunday, on which the principal commercial banks located in the City of Toronto are open for business during normal banking hours.

“**Change in Control**” has the meaning set forth in Section 4.2.

“**Committee**” means the Compensation Committee of the Board.

“**Consultant Company**” means a corporation which is engaged by the Dundee REIT or one or more of its Affiliated Entities to provide on a bona fide basis consulting, technical, management or other services to the Dundee REIT or an Affiliated Entity under a written contract between such corporation and one or more of the Dundee REIT and its Affiliated Entities.

“**Deferred Trust Unit**” means a bookkeeping entry equivalent in value to a Trust Unit credited to a Participant’s Account in accordance with the Plan.

“**Disabled**” means eligible for long-term disability under the terms of a long-term disability plan sponsored by the Participant’s employer.

“**Dundee REIT**” means the Dundee Real Estate Investment Trust.

“**Eligible Individuals**” means:

- (a) Trustees of the Dundee REIT;
- (b) Employees; and
- (c) employees of a Consultant Company who, in the Dundee REIT’s reasonable opinion, spends or will spend a significant amount of time and attention on the affairs and business of one or more of the Dundee REIT and its Affiliated Entities.

“**Employees**” means employees of the Dundee REIT or any of its Affiliated Entities.

“**Income Deferred Trust Unit**” means a bookkeeping entry equivalent in value to a Trust Unit, credited to a Participant’s Account in accordance with Section 3.3 of the Plan.

“Market Value” means the weighted average trading price of the Trust Units on the Toronto Stock Exchange on the five (5) trading days immediately following the distribution record date.

“Notice” shall have the meaning ascribed thereto in Section 5.2.

“Notice Units” shall have the meaning ascribed thereto in Section 5.2.

“Offer” has the meaning set forth in Section 4.2.

“Participant” means an Eligible Individual who has been selected to participate in the Plan in accordance with Section 2.2 of the Plan.

“Person” includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his or her capacity as trustee, executor, administrator or other legal representative;

“Plan” means the Dundee Real Estate Investment Trust Deferred Unit Incentive Plan for Trustees, Senior Management and Consultants.

“Retirement” means retirement from active employment under the retirement policies of the Dundee REIT, its Affiliated Entities or a Consultant Company, as applicable, at or after the age of 65, or, with the consent for the purposes of the Plan of such officer of the Dundee REIT as may be designated by the Committee, at or after such earlier age and upon the completion of such years of service as the Committee may specify.

“Termination Date” means the date on which a Participant ceases to be an employee of their employer at the Allocation Date.

“Trust Unit” means a unit of the Dundee REIT, Series A.

“Vesting Date” means the date specified in Section 3.2.

1.3 Term of Plan

The Plan shall come into effect on ●, 2003.

During the term of the Plan: (i) a maximum of 500,000 Deferred Trust Units and Income Deferred Trust Units shall be granted in accordance with the Plan; and (ii) no one Participant shall be granted an aggregate number of Deferred Trust Units and Income Deferred Trust Units in any year that exceeds 5 per cent of the total number of outstanding Trust Units in such year.

1.4 Interpretation

- (a) Whenever the Board or the Committee is to exercise discretion in the administration of the terms and conditions of the Plan, “discretion” shall mean the sole and absolute discretion of the Board or the Committee, as the case may be.
- (b) As used herein, the terms “Article” and “Section” shall mean and refer to the specified Article and Section of the Plan, respectively.
- (c) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period begins, including the day on which the period ends, and abridging the period to the immediately preceding Business Day in the event that the last day of the period is not a Business Day. In the event an action is required to be taken or a payment is required to be made on a day which is not a Business Day such action shall be taken or such payment shall be made on the immediately preceding Business Day.
- (d) In the text words importing the singular meaning shall include the plural and vice versa, and words importing the masculine shall include the feminine and neuter genders.

ARTICLE 2
ADMINISTRATION

2.1 Administration of the Plan

Except for the matters that are under the jurisdiction of the Board as specified under the Plan or as required by law:

- (a) the Plan shall be administered by the Committee, which shall have full authority to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, and to make such determinations as it deems necessary or desirable for the administration of the Plan; and
- (b) all actions taken and decisions made by the Committee in this regard shall be final, conclusive, and binding on all parties concerned, including, but not limited to, the Dundee REIT, its Affiliated Entities, the Participants and their beneficiaries and legal representatives.

2.2 Participants

The Board shall determine which Eligible Individuals will participate in the Plan.

2.3 Information

Each Participant shall provide the Dundee REIT with all information required in order to administer the Plan.

ARTICLE 3
GRANT, VESTING AND FORFEITURE OF DEFERRED TRUST UNITS AND
INCOME DEFERRED TRUST UNITS

3.1 Grant of Deferred Trust Units

At the discretion of the Board, a grant of Deferred Trust Units may be made to Participants for services provided during the year. Such grant will be made prior to the end of the calendar year to which the services relate (the “**Allocation Date**”). Any grants of Deferred Trust Units will be credited to a Participant’s Account effective on the Allocation Date.

3.2 Vesting of Deferred Trust Units

Subject to Article 4, Deferred Trust Units granted to a Participant shall vest in accordance with the following schedule (each, a “**Vesting Date**”):

- (a) one-third ($\frac{1}{3}$) of the Deferred Trust Units granted in any year will vest on the first anniversary of their Allocation Date;
- (b) one-third ($\frac{1}{3}$) of the Deferred Trust Units granted in any year will vest on the second anniversary of their Allocation Date; and
- (c) the final one-third ($\frac{1}{3}$) of the Deferred Trust Units granted in any year will vest on the third anniversary of their Allocation Date.

3.3 Income Deferred Trust Units

A Participant’s Account shall be credited with Income Deferred Trust Units as of each distribution payment date in relation to any distributions made with respect to Trust Units. The number of Income Deferred Trust Units so credited shall be calculated by dividing: (a) the amount obtained by multiplying the amount of the distributions paid on each Trust Unit by the aggregate number of Deferred Trust Units and Income Deferred

Trust Units in each Participant's account on the distribution record date by; (b) the Market Value of the Trust Units on the distribution record date.

Income Deferred Trust Units granted under this Section 3.3 shall vest on the same Vesting Date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

3.4 Fractional Income Deferred Trust Units

Notwithstanding the provisions of Section 3.3, the Dundee REIT shall not be required to issue any fractional Income Deferred Trust Units. In lieu of issuing any fractional Income Deferred Trust Units, the Dundee REIT shall satisfy such fractional interest by paying to the Participant an amount (computed to the nearest cent and less any required withholding taxes) equal to the relevant fractional Income Deferred Trust Unit multiplied by the Market Value on the distribution record date.

3.5 Forfeiture

If a Participant's employment or term of office is terminated either (i) voluntarily by the Participant (except by reason of Retirement) or (ii) for cause, then any unvested Deferred Trust Units or Income Deferred Trust Units credited to such Participant's Account shall be forfeited effective on such Participant's Termination Date.

3.6 Disability

If a Participant becomes Disabled while still employed or holding office, any Deferred Trust Units or Income Deferred Trust Units credited to such Participant's Account shall continue to vest in accordance with Section 3.2 and shall continue to be credited with Income Deferred Trust Units in accordance with Section 3.3 during the period of the Participant is Disabled and notwithstanding any termination of the Participant's employment while Disabled.

3.7 Transfer of Employment

Unless the Committee, in its discretion, otherwise determines, at any time and from time to time, Deferred Trust Units and Income Deferred Trust Units are not affected by a change of employment within or among the Dundee REIT, its Affiliated Entities and a Consulting Company for so long as the Participant continues to be an employee of the Dundee REIT, an Affiliated Entity of the Dundee REIT or a Consulting Company.

ARTICLE 4

ACCELERATION

4.1 Acceleration of Vesting Upon Termination of Employment or Term of Office

Any unvested Deferred Trust Units or Income Deferred Trust Units credited to a Participant's Account shall vest effective upon the Termination Date if the Participant's employment or term of office is terminated by reason of Retirement or is terminated involuntarily (otherwise than for cause).

4.2 Acceleration of Vesting Upon Change of Control

- (a) Notwithstanding anything else in this Plan, the Board has the right to provide for the conversion or exchange of any Deferred Trust Units or Income Deferred Trust Units into or for options, rights or other securities in any entity participating in or resulting from a Change in Control.
- (b) Upon the Dundee REIT entering into an agreement relating to, or otherwise becoming aware of, a transaction which, if completed, would result in a Change in Control, the Dundee REIT shall give written notice of the proposed Change in Control to the Participants, together with a description of the effect of such Change in Control on Deferred Trust Units and Income Deferred Trust Units, not less than 10 Business Days prior to the closing of the transaction resulting in the Change of Control.

- (c) The Board may, in its sole discretion, accelerate the vesting of any or all Deferred Trust Units or Income Deferred Trust Units to provide that, notwithstanding Section 3.2, such Deferred Trust Units and Income Deferred Trust Units be fully vested and conditionally delivered upon (or prior to) the completion of the Change in Control. If, for any reason, the Change in Control does not occur within the contemplated time period, the acceleration of the vesting of the Deferred Trust Units and Income Deferred Trust Units shall be retracted and vesting shall instead revert to the manner provided in Section 3.2.
- (d) To the extent that the Change in Control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the capital of the Dundee REIT and the Board does not accelerate the vesting of Deferred Trust Units and Income Deferred Trust Units under Section 4.2(c), the Dundee REIT shall make adequate provision to ensure that, upon completion of the proposed Change in Control, the number and kind of Trust Units subject to Deferred Trust Units and Income Deferred Trust Units shall be appropriately adjusted in such manner as the Board considers equitable to prevent substantial dilution or enlargement of the rights granted to Participants.
- (e) If any individual, corporation or other entity (an “**Acquiror**”) makes an offer to purchase all of the Trust Units (an “**Offer**”) and the Offer is accepted by all of the holders of Trust Units, other than those unitholders who acquired their Trust Units solely pursuant to Deferred Trust Units or Income Deferred Trust Units granted under the Plan, such unitholders shall be required to sell such Trust Units together with all other Trust Units which they acquire pursuant to the accelerated vesting of any Deferred Trust Units or Income Deferred Trust Units then owned by them to the Acquiror on the same terms and conditions as set out in the Offer.
- (f) For purposes of this Section 4.2, a “**Change in Control**” means the happening of any of the following events: (i) any transaction pursuant to which: (A) the Dundee REIT goes out of existence; or (B) any Person, or any Associate or Affiliated Entity of such Person, (other than the Dundee REIT, a subsidiary of the Dundee REIT or an employee benefit program of the Dundee REIT (including any trustee of such program acting as trustee)) hereafter acquires the direct or indirect “beneficial ownership” (as defined by the *Business Corporations Act* (Ontario)) of securities of the Dundee REIT representing 50% or more of the aggregate voting power of all of the Dundee REIT’s then issued and outstanding securities; (ii) the sale of all or substantially all of the Dundee REIT’s assets to a Person other than a Person that was an Affiliated Entity; (iii) the dissolution or liquidation of the Dundee REIT except in connection with the distribution of assets of the Dundee REIT to one or more Persons which were Affiliated Entities prior to such event; or (iv) the occurrence of a transaction requiring approval of the Dundee REIT’s unitholders involving the acquisition of the Dundee REIT by an entity through purchase of assets, by amalgamation or otherwise.

ARTICLE 5

DELIVERY OF TRUST UNITS

5.1 Issue of Trust Units

Subject to Section 5.2, effective upon the vesting of any Deferred Trust Unit or Income Deferred Trust Unit held by a Participant, the Dundee REIT will issue a Trust Unit to the Participant. For greater certainty, except for Participants covered under Section 5.2, the Trust Units in relation to a grant of Deferred Trust Units shall be issued no later than December 31 of the third year following the year of grant.

5.2 Deferral of Issue of Trust Units

- (a) If the Participant is an Employee or is a Trustee of the Dundee REIT, the Participant may, by giving notice (a “**Notice**”) to the REIT not less than 30 days prior to any Vesting Date of any unvested Deferred Trust Unit or Income Deferred Trust Unit, elect to defer the issuance by the Dundee REIT

of Trust Units in respect of the Deferred Trust Units or Income Deferred Trust Units which are the subject of the Notice (the “**Notice Units**”). Notwithstanding the vesting of the Notice Units, the Notice Units shall continue to be credited to the Participant’s Account as Deferred Trust Units or Income Deferred Trust Units, as applicable, and the Participant shall continue to be credited with Income Deferred Trust Units in respect of such Notice Units in accordance with Section 3.3; provided that there are a sufficient number of Income Deferred Trust Units authorized under the Plan to provide for such grants. Should there be an insufficient number of Income Deferred Trust Units authorized under the Plan, such Participants will be paid the cash equivalent of any such distributions (less any applicable withholding taxes) by the Dundee REIT as soon as practicable after the relevant distribution payment date.

- (b) The Dundee REIT shall issue Trust Units to the Participant in settlement of all vested Deferred Trust Units or Income Deferred Trust Units credited to the Participant’s Account (including, for greater certainty, all Notice Units) effective on the earlier of (i) the Termination Date, if the Participant’s employment or term of office should terminate for any reason, or (ii) such date as the Participant may select from time to time by giving not less than ten days prior written notice to the Dundee REIT.

ARTICLE 6

GENERAL

6.1 Reporting

Statements of the Participant’s Account will be provided to the Participant at least annually.

6.2 Amendment, Suspension, or Termination of the Plan

- (a) The Committee may review and confirm the terms of the Plan from time to time.
- (b) The Committee may from time to time amend or suspend the Plan in whole or in part and may at any time terminate the Plan without prior notice, as it deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. However, except as expressly set forth herein, no such amendment, suspension or termination may adversely effect the Deferred Trust Units or Income Deferred Trust Units previously granted to a Participant at the time of such amendment, suspension or termination, without the consent of the affected Participant.
- (c) If the Committee terminates or suspends the Plan, no new Deferred Trust Units or Income Deferred Trust Units will be credited to the account of a Participant. However, previously credited Deferred Trust Units or Income Deferred Trust Units shall remain outstanding but shall not be entitled to Income Deferred Trust Units as provided under Section 3.3, unless at the date of termination or suspension, the Committee elects to continue the entitlement to Income Deferred Trust Units with respect to outstanding Deferred Trust Units or Income Deferred Trust Units after the date of termination or during the course of the suspension, as applicable.

6.3 Compliance with Laws

The administration of the Plan shall be subject to and made in conformity with all applicable laws, regulations, policies, rules, notices and administrative practices. Should the Committee, in its sole discretion, determine that it is not feasible or desirable to honour an award of Deferred Trust Units or Income Deferred Trust Units made under the Plan due to such laws, regulations, policies, rules, notices and administrative practices, its obligation shall be satisfied by means of an equivalent cash payment (equivalence being determined on a before-tax basis).

6.4 Units Non-Transferrable

Deferred Trust Units and Income Deferred Trust Units are non-transferrable (except to a Participant's estate) and certificates representing Deferred Trust Units or Income Deferred Trust Units will not be issued by the Dundee REIT.

6.5 No Other Benefit

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of a Trust Unit, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

6.6 Governing Law

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

6.7 Submission To Jurisdiction

The Dundee REIT and each Participant irrevocably submits to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of Ontario in respect of any action or proceeding relating in any way to the Plan, including with respect to the award of Deferred Trust Units, Income Deferred Trust Units and any issuance of Trust Units made in accordance with the Plan.

6.8 Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Deferred Trust Units or Income Deferred Trust Units under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of an unsecured creditor of the Dundee REIT.

6.9 Adjustments and Reorganizations

In the event of any distribution on Trust Units in the form of Trust Units, subdivision, combination or exchange of Trust Units, merger, consolidation, spin-off or other distribution (other than normal cash distribution) of Dundee REIT assets to unitholders or any other change affecting Trust Units, such proportionate adjustments, if any, as the Committee, in its discretion may deem appropriate to reflect such change, shall be made with respect to the number of Deferred Trust Units or Income Deferred Trust Units outstanding under the Plan. In the event the Dundee REIT is not the surviving entity of a merger, consolidation or amalgamation with another entity, or in the event of liquidation or reorganization and in the absence of any surviving entity's assumption of outstanding awards made under the Plan, the Committee may provide for appropriate settlements of Participant's Accounts.

6.10 No Right to Employment

Participation in the Plan shall not be construed to give any Participant a right to be retained in the employment of the Dundee REIT or their employer as at the Allocation Date.

6.11 No Unitholder Rights

Under no circumstances shall Deferred Trust Units or Income Deferred Trust Units be considered Trust Units nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Trust Units, nor shall any Participant be considered the owner of Trust Units by virtue of the award of Deferred Trust Units or Income Deferred Trust Units until such time as Trust Units have been issued to such Participant.

6.12 Determination of Value if Trust Units Not Publicly Traded

Should Trust Units no longer be publicly traded at any time such that the amount of payment cannot be determined in accordance with the formula set out in the Plan, such amount shall be determined by the Committee.

6.13 Reorganization of the Dundee REIT

The existence of any Deferred Trust Units or Income Deferred Trust Units shall not affect in any way the right or power of the Dundee REIT or its unitholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Dundee REIT's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Dundee REIT or to create or issue any bonds, debentures, units or other securities of the Dundee REIT or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Dundee REIT or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

6.14 Successors and Assigns

The Plan shall be binding on all successors and assigns of the Dundee REIT and its Affiliated Entities.

6.15 General Restrictions and Assignment

Except as required by law, the rights of a Participant under the Plan are not capable of being anticipated, assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

6.16 Severability

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

APPENDIX D
ACQUISITION AGREEMENT

ACQUISITION AGREEMENT made as of the 20th day of May, 2003

BETWEEN:

DUNDEE REALTY CORPORATION, a corporation incorporated under the laws of Ontario (“DRC”);

- and -

DUNDEE BANCORP INC., a corporation incorporated under the laws of Ontario (“DBI”);

- and -

DUNDEE REAL ESTATE INVESTMENT TRUST, an open-ended unit trust established under the laws of Ontario (“Dundee REIT”);

- and -

DUNDEE PROPERTIES OPERATING TRUST A, an open-ended unit trust established under the laws of Ontario (“OTA”);

- and -

DUNDEE PROPERTIES OPERATING TRUST B, an open-ended unit trust established under the laws of Ontario (“OTB”);

- and -

DUNDEE PROPERTIES LIMITED PARTNERSHIP, a limited partnership formed under the laws of Ontario (“Dundee Properties LP”);

- and -

DUNDEE MANAGEMENT LIMITED PARTNERSHIP, a limited partnership formed under the laws of Ontario (“Dundee Management LP”).

RECITALS:

- A. DBI proposes to acquire all of the outstanding common shares of DRC pursuant to an Arrangement involving DRC and the DRC Common Shareholders under section 182 of the Act;
- B. the Arrangement will be on the terms and conditions set forth in the Plan of Arrangement attached as Appendix I; and
- C. the Parties have agreed to enter into this Agreement setting out the terms and conditions on which the Acquisition will be carried out.

THEREFORE the parties agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Agreement, the following words and terms have the meanings set out below:

“Acquisition” means the acquisition of DRC involving the Amalgamation, the sale by DRC and DCP of the RP Properties upon the terms and conditions set forth in the DRC Master Asset Transfer Agreement and the DCP Master Asset Transfer Agreement, respectively, the sale by DRC of the Property

Management Securities upon the terms and conditions set forth in the Property Management Business Transfer Agreement and the Arrangement;

“Acquisition Resolution” means the special resolution of the DRC Common Shareholders, to be substantially in the form and content of Appendix II to this Agreement;

“Act” means the *Business Corporations Act* (Ontario), as now enacted or as it may be amended;

“Affiliate” has the meaning ascribed to such term in the Act;

“Agreement” means this Agreement, including Appendices I and II, and all amendments or restatements, as permitted, and references to “Article” or “Section” mean the specified Article or Section of this Agreement;

“Amalgamation” means the short form amalgamation of DRC, Dundee Development Corporation, Dundee Realty Inc. and Dundee Realty Park Home Holdings Ltd. in accordance with section 177 of the Act;

“Arrangement” means an arrangement under the provisions of section 182 of the Act, on the terms and conditions set forth in the Plan of Arrangement;

“Articles of Amalgamation” means the articles of amalgamation of DRC, Dundee Development Corporation, Dundee Realty Inc. and Dundee Realty Park Home Holdings Ltd. in respect of the Amalgamation that are required by the Act to be sent to the Director to give effect to the Amalgamation;

“Articles of Arrangement” means the articles of arrangement of DRC in respect of the Arrangement that are required by the Act to be sent to the Director after the Final Order is made;

“Business Day” means any day, other than a Saturday or Sunday, on which banks in Toronto are open for commercial banking business during normal banking hours;

“Circular” means the management proxy circular of DRC to be prepared and sent to the DRC Common Shareholders in connection with the DRC Meeting;

“Competition Act” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

“Competition Act Approval” means (a) the issuance of an advance ruling certificate pursuant to section 102 of the Competition Act by the Commissioner of Competition appointed under the Competition Act to the effect that he is satisfied that he would not have sufficient grounds upon which to apply to the Competition Tribunal for an order under section 92 of the Competition Act with respect to the transactions contemplated by this Agreement; (b) the waiver by the Commissioner under section 113(c) of the Competition Act of the obligation to notify the Commissioner because substantially similar information was previously supplied in relation to a request for an advance ruling certificate; or (c) that the waiting period under section 123 of the Competition Act has expired and DRC has been advised in writing by the Commissioner that the Commissioner has determined not to make an application for an order under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement;

“Court” means the Superior Court of Justice of Ontario;

“DAMI” means Dundee American Management, Inc., a corporation existing under the laws of Delaware;

“DCP” means Dundee Consolidated Properties, a limited partnership formed under the laws of Ontario of which, as at the date of this Agreement, Dundee Realty Inc., a wholly-owned subsidiary of DRC, is a limited partner and Dundee Development Corporation, a wholly-owned subsidiary of DRC at the date of this Agreement, is the general partner and a limited partner;

“DCP Master Asset Transfer Agreement” means an agreement to be made between DCP and Dundee Properties LP setting out the terms and conditions upon which DCP will transfer or cause to be transferred to Dundee Properties LP those RP Properties referred to in such agreement;

“Director” means the Director appointed under section 278 of the Act;

“Dissent Rights” means the rights of dissent in respect of the Arrangement described in Section 3.1 of the Plan of Arrangement;

“Dissenting Shareholder” has the meaning ascribed thereto in the Plan of Arrangement;

“DRC” means, prior to the Amalgamation, Dundee Realty Corporation, a corporation incorporated under the laws of Ontario and means, after the Amalgamation, Dundee Realty Corporation, the corporation formed upon the Amalgamation;

“DRC Administrative Services Agreement” means an agreement to be made between DRC and Dundee Management LP setting out the terms and conditions upon which Dundee Management LP shall provide administrative and support services to DRC and its subsidiaries;

“DRC Bonus Shares” means the 56,000 DRC Common Shares allocated for issuance pursuant to the DRC Share Incentive Plan to certain employees of DRC or its subsidiaries entitled to receive them upon the terms and conditions set forth in letters to such employees from DRC dated on or about January 25, 2002;

“DRC Common Shareholders” means, at any time, the holders at that time of DRC Common Shares;

“DRC Common Shares” means common shares in the capital of DRC;

“DRC Disclosure Letter” means the letter of DRC dated the date of this Agreement addressed to DBI setting out certain information with respect to DRC;

“DRC Master Asset Transfer Agreement” means an agreement to be made between DRC and Dundee Properties LP setting out the terms and conditions upon which DRC will transfer or cause to be transferred to Dundee Properties LP those RP Properties referred to in such agreement;

“DRC Meeting” means the annual and special meeting of DRC Common Shareholders (including any adjournment thereof) to be held to consider and, if deemed advisable, to approve the Acquisition, including the Arrangement;

“DRC Share Incentive Plan” means the Dundee Realty Corporation Share Incentive Plan as amended and restated as of December 31, 2001;

“DRC Stock Options” means the outstanding options to purchase 1,870,013 DRC Common Shares under the DRC Share Incentive Plan;

“DRMC” means Dundee Realty Management Corporation, a corporation existing under the laws of Ontario;

“Dundee Realty Non-Competition Agreement” means an agreement to be made between DRC and Dundee REIT pursuant to which DRC shall agree not to compete with Dundee REIT on the terms and conditions set out in such agreement;

“Dundee REIT Administrative Services Agreement” means an agreement to be made between Dundee REIT, Dundee Properties LP, OTA, OTB and Dundee Management LP setting out the terms and conditions upon which Dundee Management LP shall provide administrative and support services to Dundee REIT, Dundee Properties LP, OTA and OTB;

“Dundee REIT Series A Units” means the trust units, Series A, of Dundee REIT, each representing an equal undivided beneficial interest therein;

“Dundee REIT Series B Units” means the trust units, Series B, of Dundee REIT, each representing an equal undivided beneficial interest therein;

“Effective Date” means the date shown as the effective date of the Plan of Arrangement in the certified Articles of Arrangement giving effect to the Arrangement filed under the Act with the Director;

“Effective Time” has the meaning ascribed thereto in the Plan of Arrangement;

“Exchange and Support Agreement” means an agreement to be made between Dundee REIT, OTB, Dundee Properties LP, DRC and DCP setting out the terms and conditions pursuant to which holders of Class B Units, Series 1 of Dundee Properties LP are entitled to exchange Class B Units, Series 1 of Dundee Properties LP for Dundee REIT Series B Units in certain circumstances and providing for certain other matters;

“Final Order” means the final order of the Court approving the Arrangement as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed;

“Government Entity” means any (a) multinational, federal, provincial, state, regional, municipal, local or other governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Holding” means DRC Holding Corp. a corporation to be incorporated prior to the Effective Time under the laws of Ontario as a wholly-owned subsidiary of DBI;

“Individual Non-Competition Agreements” means the agreements to be made between Dundee REIT and the trustees and officers of Dundee REIT pursuant to which such trustees and officers shall agree not to compete with Dundee REIT on the terms and conditions set out in such agreement;

“Interim Order” means the interim order of the Court, as the same may be amended, in respect of the Arrangement, as contemplated by Section 2.2;

“Laws” means all statutes, regulations, statutory rules, orders, and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity, statutory body (including The Toronto Stock Exchange) or self-regulatory authority, and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

“Management General Partner” means Dundee Management (GP) Inc., the general partner of Dundee Management LP;

“Management Shareholders” means Michael J. Cooper, the President and Chief Executive Officer of DRC, and Jeffrey B. Barnes, the Executive Vice-President and Chief Financial Officer of DRC;

“Master Property Management Agreement” means an agreement to be made between Dundee Properties LP, Dundee Management LP, DRC and Dundee REIT setting out the terms and conditions upon which Dundee Management LP shall manage the properties directly and indirectly owned by Dundee Properties LP;

“Material Adverse Change”, when used in connection with DRC means any change, effect, event or occurrence with respect to its condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued conditional or otherwise), businesses, operations or results of operations or those of its subsidiaries that is, or could reasonably be expected to be, material and adverse to the business, operations or financial condition of DRC and its subsidiaries taken as a whole, other than any change, effect, event or occurrence (i) relating to the Canadian or United States economy or securities markets in general or (ii) affecting the Canadian or United States real estate industry in general;

“Material Adverse Effect” when used in connection with DRC or Dundee REIT, means any effect that is, or would reasonably be expected to be, material and adverse to the business, operations or financial condition of DRC and its subsidiaries taken as a whole or Dundee REIT and its subsidiaries taken as a whole, respectively;

“Material Change” has the meaning ascribed thereto under the *Securities Act* (Ontario);

“Minority Shareholders” means those shareholders entitled to vote in respect of the Acquisition Resolution for the purpose of the “minority approval” of the Acquisition Resolution required by applicable Securities Legislation;

“OTB Subscription Agreement” means an agreement to be made between OTB and Dundee Properties LP following the Amalgamation pursuant to which OTB shall subscribe for 1 Class B Unit, Series 2 of Dundee Properties LP;

“Party” or “Parties” means a signatory or the signatories to this Agreement, respectively;

“Person” includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity;

“Plan of Arrangement” means the plan of arrangement set out as Appendix I and any amendments or variations made in accordance with Section 6.3 of this Agreement and section 5.1 of Appendix I;

“Pre-Acquisition Transactions” means a series of transactions to be undertaken by DRC and certain of its subsidiaries prior to the Acquisition to facilitate the sale of the RP Properties by DRC and DCP in a tax-efficient manner, as may be agreed to by DBI, acting reasonably, prior to the Effective Date;

“Properties General Partner” means Dundee Properties (GP) Inc., the general partner of Dundee Properties LP;

“Property Management Business Transfer Agreement” means an agreement to be made between DRC, DRMC, Dundee Management LP and Dundee Properties LP pursuant to which DRMC will acquire certain assets from DRC, and Dundee Management LP will subsequently acquire from DRC all of the Property Management Securities;

“Property Management Securities” means all of the issued and outstanding shares in the capital of DRMC and DAMI and all of the limited partnership interests in Dundee Management (USA) Limited Partnership;

“Public Shareholders” means each of the DRC Common Shareholders other than DBI, its Affiliates and the Management Shareholders;

“Regulatory Approvals” means Competition Act Approval and the Securities Commissions Orders;

“RP Properties” means the properties and related assets and liabilities of DRC and DCP to be transferred to Dundee Properties LP pursuant to the DRC Master Asset Transfer Agreement and the DCP Master Asset Transfer Agreement;

“Securities Commissions Orders” has the meaning ascribed to such term in subsection 2.5(a);

“Securities Legislation” means the *Securities Act* (Ontario) and the equivalent legislation of the other provinces of Canada, as now enacted or as the same may be amended and the applicable rules, regulations, rulings, orders and forms made or promulgated under such statutes and the published policies of the regulatory authorities administering such statutes, as well as the rules, regulations, by-laws and policies of The Toronto Stock Exchange;

“Series 1 Subscription Agreement” means an agreement to be made between DRC, DCP and Dundee Properties LP following the Amalgamation pursuant to which DRC and DCP shall subscribe for an aggregate of 6,909,245 Class B Units, Series 1 of Dundee Properties LP;

“Tax Act” means the *Income Tax Act* (Canada), R.S.C. 1985, 5th Supplement, c. 1, as amended;

“Termination Date” means 11:59 p.m. (Toronto time) on August 31, 2003; and

“TSX means the Toronto Stock Exchange.

1.2 Subsidiaries

When reference is made in this Agreement to subsidiaries of any entity, the word “subsidiary” means any corporation of which outstanding voting securities carrying more than 50 percent of the votes for the election of directors are, or any partnership, limited partnership, joint venture or other entity more than 50 percent of whose total equity interest is, directly or indirectly, owned by such entity.

1.3 Certain Rules of Interpretation

In this Agreement:

- (a) **Consent** — Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (b) **Currency** — Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (c) **Governing Law** — This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (d) **Headings** — Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (e) **Including** — Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (f) **No Strict Construction** — The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (g) **Number and Gender** — Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (h) **Severability** — If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.
- (i) **Statutory References** — A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (j) **Time** — Time is of the essence in the performance of the Parties’ respective obligations.
- (k) **Time Periods** — Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.4 Knowledge

Any reference to the knowledge of any Party shall mean to the best of the knowledge, information and belief of such Party after reviewing all relevant records and making reasonable inquiries regarding the relevant matter of all relevant directors, officers and employees of the Party.

1.5 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

ARTICLE 2 THE ACQUISITION

2.1 Implementation Steps by DRC

DRC covenants in favour of each of the other Parties that DRC shall:

- (a) as soon as reasonably practicable following the execution of this Agreement, apply in a manner acceptable to DBI, acting reasonably, under section 182 of the Act for an order approving the Arrangement and for the Interim Order and, after making such application, proceed with and diligently seek the Interim Order;
- (b) subject to Section 2.4, convene and hold the DRC Meeting for the purpose of considering the Acquisition Resolution (and for any other purpose as may be set out in the notice for such meeting);
- (c) not adjourn, postpone or cancel (or propose for adjournment, postponement or cancellation) the DRC Meeting without the prior written consent of DBI, acting reasonably, except as required by Laws or required by DRC's shareholders;
- (d) subject to obtaining the approvals required by the Interim Order, proceed with and diligently pursue the application to the Court for the Final Order;
- (e) subject to obtaining the Final Order and the satisfaction or waiver of each of the other conditions in this Agreement in favour of any Party, other than the conditions set out in subsections 5.1(d), (e), (f) and (g), and prior to completion of the transactions set forth in subsection 2.1(f) and (g):
 - (i) send to the Director, for endorsement and filing by the Director, the Articles of Amalgamation giving effect to the Amalgamation and such other documents as may be required under the Act to give effect to the Amalgamation,
 - (ii) following the Amalgamation, execute and deliver and cause DCP and Dundee Properties LP to execute and deliver the Series 1 Subscription Agreement, and complete the subscription by DRC and DCP for Class B Units, Series 1 of Dundee Properties LP contemplated by such agreement, and
 - (iii) following the Amalgamation, cause Dundee Properties LP to execute and deliver the OTB Subscription Agreement, and complete the subscription by OTB of 1 Class B Unit, Series 2 of Dundee Properties LP contemplated by such agreement;
- (f) subject to obtaining the Final Order and the satisfaction or waiver of each of the other conditions in this Agreement in favour of any Party, other than the conditions set out in

subsections 5.1(e), (f) and (g), and prior to the completion of the transactions set out in subsection 2.1(g):

- (i) execute and deliver the DRC Master Asset Transfer Agreement and complete the transactions contemplated by such agreement,
 - (ii) cause DCP to execute and deliver the DCP Master Asset Transfer Agreement and complete the transactions contemplated by such agreement,
 - (iii) execute and deliver and cause DRMC to execute and deliver the Property Management Business Transfer Agreement and complete the transactions contemplated by such agreement,
 - (iv) execute and deliver the Master Property Management Agreement, and
 - (v) execute and deliver the DRC Administrative Services Agreement;
- (g) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions in this Agreement in favour of any Party:
- (i) send to the Director, for endorsement and filing by the Director, the Articles of Arrangement and such other documents as may be required under the Act to give effect to the Arrangement,
 - (ii) execute and deliver the Dundee Realty Non-Competition Agreement, and
 - (iii) execute and deliver and cause DCP to execute and deliver the Exchange and Support Agreement.

2.2 Interim Order

The notice of motion for the application referred to in Section 2.1(a) shall request that the Interim Order provide:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the DRC Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite approval of the Acquisition Resolution shall be:
 - (i) 66 $\frac{2}{3}$ % of the votes cast on the Acquisition Resolution by DRC Common Shareholders present in person or by proxy at the DRC Meeting (such that each DRC Common Shareholder is entitled to one vote for each DRC Common Share held); and
 - (ii) more than 50% of the votes cast on the Acquisition Resolution by the Minority Shareholders present in person or by proxy at the DRC Meeting;
- (c) that, in all other respects, the terms, restrictions and conditions of the by-laws and articles of DRC, including quorum requirements and all other matters, shall apply in respect of the DRC Meeting; and
- (d) for the grant of the Dissent Rights.

2.3 Articles of Arrangement

The Articles of Arrangement shall, with such other matters as are necessary to effect the Arrangement, implement the Plan of Arrangement.

2.4 Circular

As promptly as reasonably practicable after the execution and delivery of this Agreement, DRC shall complete the Circular together with any other documents required by Securities Legislation or other applicable Laws in connection with the Acquisition, and cause the Circular and other documentation required

in connection with the DRC Meeting to be sent to each DRC Common Shareholder and holder of DRC Options as required by applicable Laws, provided that DRC shall provide the Circular to DBI for approval prior to sending it to DRC Shareholders, which approval shall not be unreasonably withheld.

2.5 Securities Compliance

- (a) DRC shall use its reasonable best efforts to obtain all orders (“Securities Commissions Orders”) required from the applicable Canadian securities regulatory authorities to permit the issuance and first resale of the Dundee REIT Series A Units issued pursuant to the Arrangement without qualification with or approval of or the filing of any prospectus, or the taking of any proceeding with, or the obtaining of any further order, ruling or consent from, any Governmental Entity or regulatory authority under Securities Legislation or any other Laws or pursuant to the rules and regulations of any regulatory authority administering such Laws, or the fulfilment of any other legal requirement in any Canadian province or territory (other than, with respect to such first resales, any restrictions on transfer by reason of, among other things, a holder being a “control person” of Dundee REIT for purposes of Securities Legislation).
- (b) DRC shall use its reasonable best efforts to obtain the approval of the TSX for the listing of the Dundee REIT Series A Units issued pursuant to the Arrangement.

2.6 Preparation of Filings, etc.

- (a) Each of the parties shall use their reasonable best efforts to cooperate in the preparation, seeking and obtaining of all filings, consents, Regulatory Approvals and other approvals and other matters in connection with this Agreement and the Acquisition;
- (b) Each of DRC and DBI shall furnish to the other all such information concerning it and its shareholders as may be reasonably required (and, in the case of its shareholders, available to it) for the effectuation of the actions described in Sections 2.4 and 2.5 and the foregoing provisions of this Section 2.6, and each covenants that no information furnished by it (to its knowledge in the case of information concerning its shareholders) in connection with such actions or otherwise in connection with the consummation of the Acquisition and the other transactions contemplated by this Agreement will contain any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is furnished.
- (c) DRC shall promptly notify DBI if at any time before the Effective Time it becomes aware that the Circular, an application for an order or any other document described in Section 2.5 contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Circular or such application or other document. In any such event, DRC shall prepare a supplement or amendment to the Circular or such application or other document, as required and as the case may be, and, if required and subject to the prior approval by DBI of the form and content of such amendment, application or other document, shall cause the same to be distributed to DRC Common Shareholders and holders of DRC Options and/or filed with the relevant securities regulatory authorities and/or the TSX.
- (d) DRC shall ensure that the Circular complies with all applicable Laws and, without limiting the generality of the foregoing, that the Circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to any information relating to and provided by DBI or any third party that is not an Affiliate of DRC). Without limiting the generality of the foregoing, DRC shall ensure that the Circular provides DRC Common Shareholders with information in sufficient detail to permit them

to form a reasoned judgment concerning the matters to be placed before them at the DRC Meeting, and DBI shall provide all information regarding it reasonably considered necessary to do so.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of DRC

DRC represents and warrants to each of the Parties the matters set out below:

- (a) it is a corporation existing under the laws of its jurisdiction of incorporation and has all necessary corporate power and capacity to enter into this Agreement, to carry out its obligations under this Agreement, to own its assets and to carry on its business as presently conducted;
- (b) the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, have been duly authorized by all necessary corporate action except for the shareholders' approval to be sought at the DRC Meeting;
- (c) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (d) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;
- (e) as at the date hereof, the authorized capital of DRC consists of an unlimited number of preferred shares, issuable in series, of which three series of preferred shares have been designated as special shares, special shares, series 2 and special shares, series 3, respectively, and an unlimited number of DRC Common Shares, of which no preferred shares and 15,450,839 DRC Common Shares are issued and outstanding as fully paid and non-assessable;
- (f) other than the DRC Stock Options, the right of certain employees of DRC or its subsidiaries to receive DRC Bonus Shares and pursuant to this Agreement, no person has any agreement or option, or any right or privilege capable of becoming an agreement or option, for the purchase or other acquisition of shares of DRC;
- (g) DRC's audited consolidated financial statements for the year ended December 31, 2002 have been prepared in accordance with generally accepted accounting principles in Canada consistently applied and present fairly in all material respects the financial position of DRC and its subsidiaries on a consolidated basis as at such date and the results of operations and cash flow for the year then ended;
- (h) since December 31, 2002, there has been no Material Adverse Change in respect of DRC;
- (i) DRC is a reporting issuer not in default under Securities Legislation in each of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland;
- (j) other than as set out in DRC's audited consolidated financial statements for the year ended December 31, 2002, the DRC Disclosure Letter, this Agreement or the Plan of Arrangement, no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option (1) for the acquisition of any right or interest in any material property or material assets of DRC or any of its subsidiaries, (2) for the issue or allotment of any unissued shares in the capital of DRC (other than the DRC Stock

Options and the right of certain employees of DRC or its subsidiaries to receive DRC Bonus Shares referred to in Section 3.1(f)) or any of its subsidiaries, or any other security convertible into or exchangeable for any such shares, or (3) to require DRC or any of its subsidiaries to purchase, redeem or otherwise acquire any issued and outstanding shares in the capital of DRC or any of its subsidiaries; and

- (k) other than as set out in DRC's audited consolidated financial statements for the year ended December 31, 2002 and the DRC Disclosure Letter, there is no threatened, actual or to the best of the knowledge of DRC, pending litigation, actions, suits, investigations or proceedings against or involving DRC or any of its subsidiaries or any of the property or other assets owned by any of them, which could reasonably be expected to have a Material Adverse Effect on DRC and its subsidiaries taken as a whole.

3.2 Representations and Warranties of Dundee REIT

Dundee REIT represents and warrants to each of the other parties the matters set out below:

- (a) Dundee REIT is duly established, settled and existing under the laws of Ontario and has the power and capacity to enter into this Agreement and to carry out its obligations under the Plan of Arrangement and the consummation by it of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary action;
- (b) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (c) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;
- (d) at the Effective Time, Dundee REIT shall have one outstanding initial unit which shall be held by DRC; and
- (e) at the Effective Time, Dundee REIT shall not have carried on any business since it was settled other than as provided in this Agreement.

3.3 Representations and Warranties of OTA

OTA represents and warrants to each of the other parties the matters set out below:

- (a) OTA is duly established, settled and existing under the laws of Ontario and has the power and capacity to carry out its obligations under the Plan of Arrangement and the consummation by it of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary action;
- (b) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (c) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;

- (d) at the Effective Time, OTA shall have one outstanding unit which shall be held by Dundee REIT; and
- (e) at the Effective Time, OTA shall not have carried on any business since it was settled other than as provided in this Agreement.

3.4 Representations and Warranties of OTB

OTB represents and warrants to each of the other parties the matters set out below:

- (a) OTB is duly established, settled and existing under the laws of Ontario and has the power and capacity to carry out its obligations under the Plan of Arrangement and the consummation by it of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary action;
- (b) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (c) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;
- (d) at the Effective Time, OTB shall have one outstanding unit which shall be held by Dundee REIT; and
- (e) at the Effective Time, OTB shall not have carried on any business since it was settled other than as provided in this Agreement.

3.5 Representations and Warranties of Dundee Properties LP

Dundee Properties LP represents and warrants to each of the other parties the matters set out below:

- (a) Dundee Properties LP is duly established and existing as a limited partnership under the laws of Ontario and has the power and capacity to carry out its obligations under the Plan of Arrangement and the consummation by it of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary action;
- (b) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (c) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;
- (d) the sole general partner of Dundee Properties LP is Properties General Partner and the sole limited partners of Dundee Properties LP are DRC and DCP, which each hold one initial limited partnership unit of Dundee Properties LP; and
- (e) at the Effective Time, Dundee Properties LP shall not have carried on any business since the date of its formation other than as provided in this Agreement.

3.6 Representations and Warranties of Dundee Management LP

Dundee Management LP represents and warrants to each of the other parties the matters set out below:

- (a) Dundee Management LP is duly established and existing as a limited partnership under the laws of Ontario and has the power and capacity to carry out its obligations under the Plan of Arrangement and the consummation by it of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary action;
- (b) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (c) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement;
- (d) the sole general partner of Dundee Management LP is Management General Partner and the sole limited partner of Dundee Management LP is Dundee Properties LP;
- (e) at the Effective Time, Dundee Management LP shall not have carried on any business since the date of its formation other than as provided in this Agreement.

3.7 Representations and Warranties of DBI

DBI represents and warrants to each of the other parties the matters set out below:

- (a) it is a corporation existing under the laws of its jurisdiction of incorporation and has all necessary corporate power and capacity to enter into this Agreement, to carry out its obligations under this Agreement, to own its assets and to carry on its business as presently conducted;
- (b) the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, have been duly authorized by all necessary corporate action;
- (c) it has duly executed and delivered this Agreement and this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (d) it is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, obligation, instrument, charter, by-law, order, judgement, decree, licence, law (including regulations) or governmental authorization that would be violated, breached by, or under which default would occur or an encumbrance would, or with notice or the passage of time would, be created as a result of the execution and delivery of, or performance of obligations under, this Agreement, the Plan of Arrangement or any other agreement to be entered into under the terms of this Agreement; and
- (e) At the Effective Time:
 - (i) Holding shall be a corporation existing under the laws of its jurisdiction of incorporation and shall have all necessary corporate power and capacity to carry out its obligations under the Plan of Arrangement;
 - (ii) the authorized share capital of Holding shall consist of an unlimited number of non-voting common shares, an unlimited number of class A preferred shares, an unlimited number of class B preferred shares, an unlimited number of class C preferred shares and an unlimited number of class D preferred shares; and

- (iii) the consummation by Holding of the transactions contemplated by the Plan of Arrangement shall, at the Effective Time, have been duly authorized by all necessary corporate action.

3.8 Survival

For greater certainty, the representations and warranties of each Party contained herein shall survive the execution and delivery of this Agreement and shall terminate on the earlier of the termination of this Agreement in accordance with its terms and the Effective Time. Any investigation by a Party and its advisors shall not mitigate, diminish or affect the representations and warranties of another Party to this Agreement.

ARTICLE 4 COVENANTS

4.1 Covenants of DRC

- (a) Except as contemplated in this Agreement or the Plan of Arrangement, until the Effective Time, unless otherwise agreed to by DBI, acting reasonably, in writing, DRC agrees that:
 - (i) it will, and will cause each of its subsidiaries to,
 - (A) conduct and operate its business and affairs only in the ordinary course consistent with past practice;
 - (B) preserve its present business and organization intact;
 - (C) exercise reasonable efforts to keep available the services of its present officers and employees; and
 - (D) preserve its goodwill with suppliers, customers and others having business dealings with it;
 - (ii) it will not, and will not permit any of its subsidiaries to,
 - (A) declare any dividends on, or make other distributions in respect of, outstanding shares of DRC without the approval of at least 66²/₃% of the DRC Common Shareholders, nor declare any dividends on, or make other distributions in respect of, outstanding shares of any subsidiary of DRC (other than dividends paid by wholly-owned subsidiaries on a basis consistent with past practice or as contemplated by this Agreement), or
 - (B) issue, authorize or propose the issuance of, or purchase or propose the purchase of, any shares of its capital stock of any class or securities convertible into, or rights, warrants or options to acquire, any such shares, convertible securities or rights, warrants or options (other than issuances of DRC Common Shares upon the exercise of DRC Stock Options);
 - (iii) it will not, and will not permit any of its subsidiaries to, amend its articles, memorandum or by-laws;
 - (iv) it will not, and will not permit any of its subsidiaries to, guarantee the payment of indebtedness or incur indebtedness for money borrowed or issue or sell any debt securities, or grant any security over any assets;
 - (v) it will not, and will not permit any of its subsidiaries to, amend any stock option plan, grant any director, officer or employee any increase in compensation or benefits or enter into any employment or consulting agreement with any officer or employee, except in the ordinary course of business consistent with past practice;
 - (vi) it will not, and will not permit any of its subsidiaries to, acquire or agree to acquire, by purchase or otherwise, the assets or shares of any business, corporation, partnership, association or other

entity or division thereof, except where the acquisition is in respect of properties to be transferred to Dundee Properties LP (a “DPLP Acquisition”) and the purchase price (including, for greater certainty, the assumption of any indebtedness) for such DPLP Acquisition would be less than \$5 million;

- (vii) other than in the normal course of business, it will not, and will not permit any of its subsidiaries to, sell, lease or otherwise dispose of, or enter into or permit any of its subsidiaries to enter into, any agreement or arrangement giving any person an option or a right, absolute or contingent, to acquire, or permit any person to negatively affect the value of, any of its assets or properties that are material, individually or in the aggregate, to the business or financial condition of DRC and its subsidiaries taken as a whole;
- (b) Prior to the Amalgamation, DRC shall cause the Pre-Acquisition Transactions to be completed, all to the satisfaction of DBI acting reasonably;
- (c) DRC shall provide to DBI drafts of all material to be filed with the Court in connection with the Arrangement prior to the service and filing thereof for approval by DBI, which approval shall not be unreasonably withheld;
- (d) Subject to the receipt of all necessary regulatory approvals, DRC shall make such amendments to the DRC Share Incentive Plan, as may be necessary, and take all such other steps as may be necessary or desirable, to allow all persons holding DRC Stock Options pursuant to the DRC Share Incentive Plan who may do so under applicable Laws to exercise their DRC Stock Options on an accelerated vesting basis, effective at 12:01 a.m. on the business day prior to the Effective Date. DRC shall amend the terms of the DRC Share Incentive Plan to permit such DRC Stock Option holders to, in lieu of exercising the DRC Stock Options, require DRC to pay to the holder prior to 12:00 p.m. on the date prior to the Effective Date, in respect of each DRC Stock Option to acquire a DRC Common Share, the amount by which the fair market value of such DRC Common Share exceeds the exercise price per DRC Common Share under such DRC Stock Option, such amendment of the DRC Share Incentive Plan to be effective at 12:01 a.m. on the business day prior to the Effective Date;
- (e) Subject to the receipt of all necessary regulatory approvals, if any, DRC shall take all steps as may be necessary to accelerate the vesting of the entitlement to receive DRC Bonus Shares and, in lieu of the delivery of such DRC Bonus Shares, shall pay to each employee as of the Effective Time, in respect of each DRC Bonus Share to which such employee is entitled, an amount equal to the fair market value of such DRC Bonus Share as at the Effective Time;
- (f) DRC agrees that its board of directors will resolve to encourage all persons holding DRC Stock Options to exercise or surrender their DRC Stock Options prior the Effective Time. DRC further agrees that its board of directors will resolve and will authorize and direct DRC, subject to the receipt of any necessary regulatory approvals, to arrange for all DRC Common Shares that are fully paid upon the valid exercise of DRC Stock Options to be distributed to those persons entitled thereto so as to be able to be acquired by Holding pursuant to the Arrangement; and
- (g) DRC shall elect in its tax return for its taxation year ending immediately before the acquisition of control of DRC by Holding pursuant to the Arrangement that subsection 256(9) of the Tax Act not apply, with the result that the acquisition of control shall not be deemed to occur at the commencement of the Effective Date but rather will occur at the time on the Effective Date when the acquisition of control actually occurs.

4.2 Covenants of DBI

- (a) Subject to the satisfaction or waiver of the conditions contained in Sections 5.1 and 5.2, DBI shall, immediately prior to the Effective Time, cause Holding to be incorporated and cause Holding to make all payments, to take all actions and to execute and deliver all documents necessary to complete the Arrangement;

- (b) DBI shall, and shall cause each of its Affiliates to, vote all DRC Common Shares beneficially owned by it, or over which it exercises control or direction, in favour of the Acquisition Resolution; and
- (c) DBI shall cause Holding, at the request of a Management Shareholder, DBI, or any affiliate of DBI who is a registered shareholder of DRC at the Effective Time, to jointly execute and file an election under subsection 85(1) of the Tax Act and any relevant corresponding provincial legislation with such person in respect of the Common Shares of such person, pursuant to which the proceeds of disposition of those Common Shares to such person, the cost amount thereof to Holding and other amounts contained in said election will be those determined by such person.

4.3 Covenants of Dundee REIT

- (a) Dundee REIT covenants in favour of each of the other Parties that Dundee REIT shall, subject to obtaining the Final Order and the satisfaction or waiver of the other conditions in this Agreement in favour of Dundee REIT, execute and deliver the Exchange and Support Agreement, the Dundee REIT Administrative Services Agreement, the Dundee Realty Non-Competition Agreement and the Individual Non-Competition Agreements; and
- (b) Dundee REIT shall take all steps as may reasonably be necessary to be accepted as of the date of its settlement by the Minister of National Revenue as a “registered investment” as defined in subsection 204.4(1) of the Tax Act.

4.4 Covenants of Dundee Properties LP

- (a) Subject to obtaining the Final Order and the satisfaction or waiver of each of the other conditions in this Agreement in favour of Dundee Properties LP, other than the conditions set out in subsections 5.1(e), (f) and (g), and prior to completion of the transactions set forth in subsection 2.1(f) and (g), Dundee Properties LP shall:
 - (i) following the Amalgamation, execute and deliver the Series 1 Subscription Agreement, and complete the subscription by DRC and DCP for Class B Units, Series 1 of Dundee Properties LP contemplated by such agreement, and
 - (ii) following the Amalgamation, execute and deliver the OTB Subscription Agreement, and complete the subscription by OTB of 1 Class B Unit, Series 2 of Dundee Properties LP contemplated by such agreement;
- (b) Prior to the Effective Time, subject to obtaining the Final Order and the satisfaction or waiver of the other conditions to this Agreement in favour of Dundee Properties LP, other than the conditions set out in subsections 5.1(e), (f) and (g) Dundee Properties LP shall:
 - (i) execute and deliver the DRC Master Asset Transfer Agreement and complete the transactions contemplated by such agreement,
 - (ii) execute and deliver the DCP Master Asset Transfer Agreement and complete the transactions contemplated by such agreement, and
 - (iii) execute and deliver the Master Property Management Agreement, the Exchange and Support Agreement and the Dundee REIT Administrative Services Agreement.

4.5 Covenants of OTA

OTA covenants in favour of each of the other Parties that OTA shall prior to the Effective Time execute and deliver the Dundee REIT Administrative Services Agreement.

4.6 Covenants of OTB

OTB covenants in favour of each of the other Parties that OTB shall prior to the Effective Time execute and deliver the OTB Subscription Agreement, the Exchange and Support Agreement and the Dundee REIT Administrative Services Agreement.

4.7 Covenants of Dundee Management LP

Subject to obtaining the Final Order and the satisfaction or waiver of each of the other conditions in this Agreement in favour of Dundee Management LP, other than the conditions set out in subsection 5.1(g), Dundee Management LP shall execute and deliver the Property Management Business Transfer Agreement and complete the transactions contemplated by such agreement, and shall execute and deliver the Master Property Management Agreement, the Dundee REIT Administrative Services Agreement and the DRC Administrative Services Agreement.

4.8 Mutual Covenants

Except as contemplated in this Agreement and the Plan of Arrangement, until the Effective Time, each of the Parties agrees, except with the prior written agreement of the other Parties not to be unreasonably withheld, that:

- (a) it will use its reasonable best efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under applicable Laws to complete the Acquisition, including using reasonable best efforts:
 - (i) to allow the Interim Order and the Final Order to be obtained prior to the Termination Date to allow the Acquisition to be completed;
 - (ii) to lift or rescind any injunction or restraining order or other order against it which may be entered against it adversely affecting the ability of the Parties to complete the Acquisition;
 - (iii) to obtain, before the Effective Time, all authorizations, waivers, exemptions, consents, orders and other approvals from courts, governmental or regulatory agencies, boards, commissions or other authorities, shareholders and third parties as are necessary for the consummation of the transactions contemplated by this Agreement;
- (b) it will use its reasonable best efforts to co-operate with each other Party in connection with the performance by each other Party of its obligations under this Agreement;
- (c) prior to the Effective Time it will not, and will not permit any of its subsidiaries to, enter into any transaction or perform any act which might interfere with or be inconsistent with the successful completion of the Acquisition or which would render inaccurate any of the representations and warranties set forth herein if such representations and warranties were made at a date subsequent to such transaction or act and all references to the date hereof were references to such later date;
- (d) it will not take or fail to take any action within its control which would result in a condition precedent to the Acquisition not being satisfied; and
- (e) it will vigorously defend or cause to be defended any lawsuits or other legal proceedings brought against it or any of its subsidiaries challenging this Agreement or the completion of the Acquisition provided that neither party will settle or compromise any claim brought by their respective present, former or purported holders of any of their securities in connection with the transactions contemplated by this Agreement prior to the Effective Time without the prior written consent of the other, such consent not to be unreasonably withheld.

4.9 Public Announcements

No press release or other public announcement concerning the proposed transactions contemplated by this Agreement will be made by DRC without the prior consent of DBI, such consent not to be unreasonably withheld; provided, however, that DRC may without such consent make such disclosure as may be required by any stock exchange on which its securities are listed or by any Securities Legislation or any regulatory authority having jurisdiction over DRC and, if such disclosure is required, DRC will use its best efforts to give prior oral or written notice to DBI and an opportunity to allow DBI to comment on the disclosure. DBI shall use reasonable efforts to advise DRC of any planned public announcements by DBI. No other Party shall make any public announcement concerning the transactions contemplated by this Agreement.

4.10 Material Changes

DRC will advise DBI orally and in writing of any Material Change with respect to it or its subsidiaries on a consolidated basis promptly after it has occurred and will promptly send to DBI a copy of any press release or material change report filed by it with securities regulatory authorities under Securities Legislation.

4.11 Notification

Each Party will promptly notify the other Parties if any of the representations and warranties made by it in this Agreement ceases to be true, accurate and complete in any material respect and of any failure to comply in any material respect with any of its obligations hereunder.

ARTICLE 5 CONDITIONS

5.1 Mutual Conditions Precedent

The obligations of each of the Parties to complete the Arrangement are subject to the fulfilment or mutual waiver by each such Party on or before the Effective Time of each of the following conditions:

- (a) the Interim Order shall have been obtained in form and on terms satisfactory to each of DRC and DBI, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties on appeal or otherwise;
- (b) the Acquisition Resolution shall have been approved at the DRC Special Meeting in accordance with the Interim Order;
- (c) the Final Order shall have been obtained in form and on terms satisfactory to each of DRC and DBI, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties on appeal or otherwise;
- (d) the Amalgamation shall have become effective;
- (e) the sale of RP Properties by DRC to Dundee Properties LP shall have been completed in accordance with the DRC Master Asset Transfer Agreement;
- (f) the sale of RP Properties by DCP to Dundee Properties LP shall have been completed in accordance with the DCP Master Asset Transfer Agreement;
- (g) the sale of certain assets by DRC to DRMC and the sale of the Property Management Securities by DRC to Dundee Management LP shall have been completed in accordance with the Property Management Business Transfer Agreement;
- (h) there shall not have occurred any actual or threatened (including any proposal by the Minister of Finance (Canada)) change or amendment to the Tax Act or regulations thereunder or to any applicable provincial tax legislation or the regulations thereunder or any publicly stated administrative position or practice in relation thereto which, directly or indirectly, has or may

have any material adverse significance with respect to the Acquisition including, without limitation, the consideration payable to the DRC Common Shareholders under the Arrangement and the tax treatment of holders of units of Dundee REIT;

- (i) all Regulatory Approvals shall have been obtained on terms and conditions satisfactory to DRC and DBI, acting reasonably;
- (j) all requisite consents of third parties, including those of any lenders to or co-owners with DRC or its subsidiaries, to the completion of the Acquisition shall have been obtained on terms and conditions satisfactory to DRC and DBI, acting reasonably;
- (k) the TSX shall have granted conditional listing approval to the listing of the Dundee REIT Series A Units, subject to the usual and customary conditions;
- (l) the TSX shall have agreed to delist the DRC Common Shares at a time between 8:30 a.m. and 12:30 p.m. on the Effective Date;
- (m) no order or decree of any court, tribunal, governmental agency or other regulatory authority or administrative agency, board or commission, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Acquisition or the transactions contemplated thereby;
- (n) DRC and DBI shall each be satisfied that neither of DRC nor Holding will be liable to pay tax under the Tax Act or any provincial income tax legislation in respect of the distribution or transfer of Dundee REIT Series A Units on the Arrangement;
- (o) all documentation relating to the completion of the Acquisition in accordance with the terms of this Agreement, including the final form of the DCP Master Asset Transfer Agreement, DRC Administrative Services Agreement, DRC Master Asset Transfer Agreement, Dundee Realty Non-Competition Agreement, Dundee REIT Administrative Services Agreement, Exchange and Support Agreement, Individual Non-Competition Agreement, Master Property Management Agreement, OTB Subscription Agreement, Series 1 Subscription Agreement and any amendments to any documents requested by a Party pursuant to section 7.4 shall be satisfactory to the Parties, acting reasonably;
- (p) there shall not exist any prohibition at law against the completion of the Arrangement; and
- (q) this Agreement shall not have been terminated pursuant to Article 6.

5.2 Additional Conditions Precedent to the Obligations of DBI

The obligation of DBI to complete the Arrangement will also be subject to the following conditions, each of which is for DBI's exclusive benefit and may be asserted or waived by it in its sole discretion on or before the Effective Time, in whole or in part:

- (a) DRC shall have performed each covenant or obligation to be performed by it under this Agreement in favour of DBI at or prior to the Effective Time;
- (b) the representations and warranties of DRC set out in this Agreement shall be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by this Agreement and DBI shall have received a certificate from DRC addressed to DBI and dated the Effective Date, signed on behalf of DRC by two senior executive officers of DRC (on DRC's behalf without personal liability), confirming the same as at the Effective Date;
- (c) DRC shall have completed to the satisfaction of DBI, prior to the Effective Date, the Pre-Acquisition Transactions;
- (d) DRC Common Shareholders holding no more than 1% of the DRC Common Shares shall have exercised their Dissent Rights in respect of the Acquisition Resolution;

- (e) without limiting sections 3.1 and 4.1, from and after December 31, 2002, except as set forth in the DRC Disclosure Letter, contemplated in this Agreement or the Plan of Arrangement or with the prior written approval of DBI, neither DRC nor any subsidiary of DRC shall have authorized, proposed or completed, or shall have entered into any agreement, arrangement or understanding with respect to:
- (i) any take-over bid, merger, amalgamation, plan of arrangement, reorganization or other business combination (other than as contemplated by this Agreement);
 - (ii) any acquisition of assets or securities in an amount which would be material to DRC and its subsidiaries taken as a whole;
 - (iii) any disposition of assets or securities in an amount which would be material to DRC and its subsidiaries taken as a whole;
 - (iv) any material change in its capitalization (including, but not limited to, any increase in the amount of its borrowings or any material conversion of short term borrowings into long term borrowings);
 - (v) any combination of any or all of the transactions referred to in paragraphs (ii), (iii) and (iv) above which individually are not material to DRC and its subsidiaries taken as a whole, but in the aggregate is material to DRC and its subsidiaries taken as a whole;
 - (vi) declaring or paying any dividend or declaring, authorizing or making any distribution of or on any securities of DRC whether payable in cash, securities or otherwise without the prior approval of at least 66²/₃% of the DRC Common Shareholders, nor declaring or paying any dividend or declaring, authorizing or making any distribution of or on any securities of any subsidiary of DRC whether payable in cash, securities or otherwise other than any dividend or distribution by a wholly-owned subsidiary of DRC to DRC or another wholly-owned subsidiary of DRC;
 - (vii) its senior officers or employees, except (A) as disclosed in writing to and agreed to by DBI on or prior to the date hereof, or (B) agreements or arrangements in the ordinary course of business and consistent with past practice (but excluding agreements or arrangements in respect of share options or other rights or entitlements to acquire authorized and unissued DRC Common Shares or relating to severance or termination or other rights related to a change of control unless disclosed in writing to and agreed by DBI);
 - (viii) any release or relinquishment not in the ordinary course of business of any material contractual rights;
 - (ix) the amendment of its articles or by-laws, or the issuance or purchase or other acquisition of any shares of its capital stock of any class or securities convertible into or exchangeable for, or rights, warrants or options to acquire, any such shares or other convertible securities (other than issuances of DRC Common Shares upon the exercise of DRC Stock Options);
 - (x) the guarantee of payment of any indebtedness;
 - (xi) instituting, cancelling or modifying any pension plans or other employee benefit arrangements; or
 - (xii) any other Material Change in the business, operations, affairs, assets, capitalization, financial condition, licenses, permits, rights or privileges, whether contractual or otherwise, of DRC or any of its subsidiaries considered on a consolidated basis which, in the sole judgment of DBI, acting reasonably in the circumstances, could individually or in the aggregate, have a Material Adverse Effect on DRC;

- (f) from and after December 31, 2002, there shall not have occurred or arisen (or have been generally disclosed or discovered, if not previously disclosed in writing to and acknowledged by DBI), any Material Adverse Change in respect of DRC;
- (g) DBI shall be satisfied that the transactions contemplated by this Agreement will not result in the breach of any material covenant to which DRC or DBI is bound or subject; and
- (h) the Management Shareholders and DBI, each acting reasonably, shall have agreed upon the provisions, terms and conditions of the non-voting common shares, class A preferred shares, class B preferred shares, class C preferred shares and class D preferred shares in the capital of Holding, shall have entered into a shareholders agreement upon terms and conditions acceptable to DBI, acting reasonably, and shall have entered into such other agreements on terms and conditions acceptable to DBI, acting reasonably, as DBI may consider necessary with respect to their respective shareholdings in, and the management and operation of, Holding.

5.3 Additional Conditions Precedent to the Obligations of DRC and Dundee REIT

The obligation of DRC and Dundee REIT to complete the Arrangement will also be subject to the following conditions, each of which is for the exclusive benefit of each of DRC and Dundee REIT and may be asserted by either or waived by both in their respective sole discretion on or before the Effective Time, in whole or in part:

- (a) DBI shall have performed each covenant or obligation to be performed by it under this Agreement in favour of DRC on or prior to the Effective Date; and
- (b) the representations and warranties of DBI set out in this Agreement shall be true and correct on and as of the Effective Date as if made on and as of such date, except as affected by transactions contemplated or permitted by this Agreement and DRC and Dundee REIT shall have received a certificate from DBI addressed to DRC and Dundee REIT and dated the Effective Date, signed on behalf of DBI by one senior executive officer of DBI (on DBI's behalf without personal liability), confirming the same as at the Effective Date.

5.4 Satisfaction of Conditions

The conditions set out in Sections 5.1, 5.2 and 5.3 hereof shall be conclusively deemed to have been satisfied, waived or released when the Articles of Arrangement are filed by DRC under this Agreement and a certificate of arrangement is issued by the Director under the Act in compliance with the terms of this Agreement.

ARTICLE 6

TERMINATION AND AMENDMENT

6.1 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by agreement in writing executed by each of the Parties;
- (b) by DBI at any time if at such time DRC is in material breach of any of its representations and warranties or has not complied in all material respects with its covenants in this Agreement;
- (c) by DRC at any time if at such time DBI is in material breach of any of its representations and warranties or has not complied in all material respects with its covenants in this Agreement;
- (d) by DBI at any time on or after the Termination Date if, by that date, the conditions set forth in Sections 5.1 and 5.2 have not been satisfied or waived; and
- (e) by DRC at any time on or after the Termination Date if, by that date, the conditions set forth in Sections 5.1 and 5.3 have not been satisfied or waived.

6.2 Effect of Termination

In the event of any termination of this Agreement, the provisions of this Agreement will become void and no Party will have any liability to any other Party in respect of this Agreement, except in respect of any breach of this Agreement which occurred on or before the Termination Date.

6.3 Amendment

- (a) Subject as provided below, this Agreement may, at any time and from time to time before and after the holding of the DRC Special Meeting but not later than the Effective Date, be amended by written agreement of the Parties (or, in the case of a waiver, by written instrument of the Party giving the waiver) without, subject to applicable law, further notice to or authorization on the part of the DRC Common Shareholders or the Court. Without limiting the generality of the foregoing, any such amendment may:
 - (i) change the time for performance of any of the obligations or acts of the Parties;
 - (ii) waive any inaccuracies or modify any representation or warranty contained in this Agreement or in any document to be delivered pursuant to this Agreement; or
 - (iii) waive compliance with or modify any of the covenants in this Agreement or waive or modify performance of any of the obligations of the Parties to this Agreement.

Notwithstanding the foregoing, the terms of the Plan of Arrangement and this Agreement shall not be amended in a manner prejudicial to the DRC Common Shareholders without the approval of the DRC Common Shareholders given in the same manner as required by law for the approval of the Acquisition or as may be ordered by the Court.

- (b) This Agreement may be amended in accordance with the Final Order by written agreement of the Parties, but in the event that the terms of the Final Order require any such amendment, the rights of the Parties under Article 5 and Section 6.1 of this Agreement shall remain unaffected.

ARTICLE 7

GENERAL PROVISIONS

7.1 Notices

All notices and other communications under this Agreement shall be in writing and shall be delivered by hand to the parties at the following addresses or sent by telecopy at the following telecopier numbers or at such other addresses or telecopier numbers as shall be specified by the parties by like notice:

- (a) if to DBI:

Dundee Bancorp Inc.
55th Floor, 40 King Street West
Scotia Plaza
Toronto, ON M5H 4A9
Attention: N. Goodman, Chairman, President & Chief Executive Officer
Facsimile: 416-363-4536

with a copy to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 2300
Commerce Court West
Toronto, Ontario M5L 1A9
Attention: A. F. Brown
Facsimile: 416-863-2653

(b) if to DRC, Dundee REIT, OTA, OTB, Dundee Properties LP or Dundee Management LP:

Dundee Realty Corporation
State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto ON M5C 3H1
Attention: Michael J. Cooper, President and Chief Executive Officer
Facsimile: 416-365-6565

with a copy to:

Osler, Hoskin & Harcourt LLP
1 First Canadian Place, Suite 6100
Toronto, Ontario M5X 1B8
Attention: George Valentini
Facsimile: 416-862-6666

The date of receipt of any such notice shall be deemed to be the date of delivery or, in the case of notice sent by telecopy, the date of successful transmission (unless transmission is received after normal business hours, in which case the date of receipt shall be deemed to be the next Business Day).

7.2 Assignment

No Party may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of each other Party.

7.3 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

7.4 Further Assurances

The Parties shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Effective Date. In addition, prior to the Effective Date the Parties agree to amend the provisions of the declaration of trust of each of Dundee REIT, OTA and OTB and the limited partnership agreement of Dundee Properties LP and Dundee Management LP at the request of any Party provided that any such amendment is acceptable to all Parties, acting reasonably.

7.5 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have duly executed this Agreement.

DUNDEE REALTY CORPORATION

By: "MICHAEL J. COOPER"
Name: Michael J. Cooper
Title: President and Chief Executive Officer

By: "JEFFREY B. BARNES"
Name: Jeffrey B. Barnes
Title: Executive Vice President and
Chief Financial Officer

DUNDEE BANCORP INC.

By: "NED GOODMAN"
Name: Ned Goodman
Title: President and Chief Executive Officer

By: "JOANNE FERSTMAN"
Name: Joanne Ferstman
Title: Vice-President and
Chief Financial Officer

THE TRUSTEES OF DUNDEE REAL
ESTATE INVESTMENT TRUST

By: “PETER CROSSGROVE”
Name: Peter Crossgrove
Title: Trustee

THE TRUSTEES OF DUNDEE
PROPERTIES OPERATING TRUST A

By: “JEFFREY B. BARNES”
Name: Jeffrey B. Barnes
Title: Trustee

THE TRUSTEES OF DUNDEE
PROPERTIES OPERATING TRUST B

By: “JEFFREY B. BARNES”
Name: Jeffrey B. Barnes
Title: Trustee

DUNDEE PROPERTIES (GP) INC.
as sole general partner of
DUNDEE PROPERTIES LIMITED PARTNERSHIP

By: “JEFFREY B. BARNES”

Name: Jeffrey B. Barnes
Title: Executive Vice President and
Chief Financial Officer

DUNDEE MANAGEMENT (GP) INC.
as sole general partner of
DUNDEE MANAGEMENT LIMITED
PARTNERSHIP

By: “JEFFREY B. BARNES”

Name: Jeffrey B. Barnes
Title: Executive Vice President and
Chief Financial Officer

APPENDIX I
To The Acquisition Agreement Dated As Of May 20, 2003
Between Dundee Realty Corporation, Dundee Bancorp Inc., Dundee Real Estate
Investment Trust, Dundee Operating Trust A, Dundee Operating Trust B, Dundee
Properties Limited Partnership and Dundee Management Limited Partnership

PLAN OF ARRANGEMENT
UNDER SECTION 182 OF THE
BUSINESS CORPORATIONS ACT (ONTARIO)

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement:

“Acquisition Agreement” means the acquisition agreement made as of May 20, 2003 between the Corporation, DBI, Dundee REIT, OTA, OTB, Dundee Properties LP and Dundee Management LP as amended, supplemented or restated in accordance therewith prior to the Effective Date, providing for, among other things, the Arrangement;

“Affiliate” has the meaning ascribed to such term in the OBCA;

“Arrangement” means an arrangement under section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with section 6.3 of the Acquisition Agreement or Article 5 hereof or made at the direction of the Court;

“Articles of Arrangement” means the articles of arrangement of the Corporation in respect of the Arrangement that are required by the OBCA to be sent to the Director after the Final Order is made;

“Certificate” means the certificate of arrangement giving effect to the Arrangement, issued pursuant to subsection 183(2) of the OBCA after the Articles of Arrangement have been filed;

“Class D Preferred Share Number” means the difference between the number of Common Shares held by the Management Shareholders immediately prior to the Effective Time and the Management Shareholders Number;

“Common Shares” means the common shares of the Corporation;

“Corporation” means Dundee Realty Corporation, the corporation formed upon the amalgamation immediately prior to the Effective Time of Dundee Realty Corporation, Dundee Development Corporation, Dundee Realty Inc. and Dundee Realty Park Home Holdings Ltd.;

“Court” means the Superior Court of Justice of Ontario;

“DBI” means Dundee Bancorp Inc., a corporation existing under the laws of Ontario;

“DBI Appointee” means a trustee of Dundee REIT appointed by DBI in accordance with the Dundee REIT Declaration of Trust;

“DCP” means Dundee Consolidated Properties, a limited partnership formed under the laws of Ontario of which, as at the Effective Date, Dundee Realty Investments Limited, a wholly-owned subsidiary of the Corporation, is a limited partner and the Corporation is the General Partner and a limited partner;

“DCP Assumed Debt” means the indebtedness incurred in respect of the DCP Properties assumed by Dundee Properties LP in partial consideration of the sale of the DCP Properties to Dundee Properties LP pursuant to the DCP Master Asset Transfer Agreement;

“DCP Master Asset Transfer Agreement” means an agreement made between DCP and Dundee Properties LP setting out the terms and conditions upon which DCP transferred or caused to be transferred the DCP Properties to Dundee Properties LP;

“DCP Properties” means those properties listed in Schedule A together with the related assets and liabilities;

“DCP Purchase Price” means the purchase price for the DCP Properties paid in accordance with Section 2.2 of the DCP Master Asset Transfer Agreement;

“Depository” means Computershare Trust Company of Canada at its offices set out in the Letter of Transmittal;

“Director” means the Director appointed under Section 278 of the OBCA;

“Dissent Rights” has the meaning ascribed thereto in Section 3.1;

“DRC Assumed Debt” means the indebtedness incurred in respect of the DRC Properties assumed by Dundee Properties LP in partial consideration of the sale of the DRC Properties to Dundee Properties LP pursuant to the DRC Master Asset Transfer Agreement;

“DRC Master Asset Transfer Agreement” means an agreement made between DRC and Dundee Properties LP setting out the terms and conditions upon which DRC transferred or caused to be transferred the DRC Properties to Dundee Properties LP;

“DRC Note” means the demand promissory note of the Corporation in an aggregate principal amount equal to the product of 15,000 multiplied by the Dundee REIT Series A Unit Price, which shall become due and payable on the 60th day after its date of issue if not paid on demand prior to that time;

“DRC Number” means the difference between the Public Number and 1,400,000;

“DRC Properties” means the properties listed in Schedule B together with the related assets and liabilities;

“DRC Share Incentive Plan” means the Dundee Realty Corporation Share Incentive Plan as amended and restated as of December 31, 2001;

“DRC Shareholder Rights Plan” means the rights agreement dated as of March 8, 2001 between the Corporation and Computershare Trust Company of Canada;

“DRC Stock Options” means the outstanding options to purchase Common Shares under the DRC Share Incentive Plan;

“Dundee Management LP” means Dundee Management Limited Partnership, a limited partnership formed under the laws of Ontario;

“Dundee Properties LP” means Dundee Properties Limited Partnership, a limited partnership formed under the laws of Ontario;

“Dundee Properties General Partner” means Dundee Properties (GP) Inc., a corporation existing under the laws of Ontario, the sole general partner of Dundee Properties LP;

“Dundee REIT” means Dundee Real Estate Investment Trust, an open-ended real estate investment trust formed under the laws of Ontario of which the Corporation is the initial unitholder;

“Dundee REIT Declaration of Trust” means the declaration of trust of Dundee REIT dated as of May 9, 2003, as amended and/or restated from time to time;

“Dundee REIT Series A Unit Price” means the fair market value of one Dundee REIT Series A Unit, which amount shall be \$21 unless otherwise agreed by the Corporation and Dundee REIT within 60 days of the Effective Date;

“Dundee REIT Series A Units” means the trust units, Series A, of Dundee REIT each representing an equal undivided beneficial interest therein;

“Effective Date” means the date shown on the Certificate;

“Effective Time” means 12:03 a.m. on the Effective Date;

“Eligible Employees” means those 150 employees of the Corporation or its subsidiaries identified by the board of directors of the Corporation as eligible to receive a bonus payment of 100 Dundee REIT Series A Units on the Effective Date;

“Final Order” means the final order of the Court approving the Arrangement as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal;

“Holding” means DRC Holding Corp., a wholly-owned subsidiary of DBI existing under the laws of Ontario;

“Holding Class A Preferred Shares” means the class A preferred shares in the capital of Holding, of which 1000 shares have been authorized for issuance by Holding and will be issued by Holding as provided in Section 2.2 hereof;

“Holding Class B Preferred Shares” means the class B preferred shares in the capital of Holding, of which 1000 shares have been authorized for issuance by Holding and will be issued by Holding as provided in Section 2.2 hereof;

“Holding Class C Preferred Shares” means the class C preferred shares in the capital of Holding, of which 1000 shares have been authorized for issuance by Holding and will be issued by Holding as provided in Section 2.2 hereof;

“Holding Class D Preferred Shares” means the class D preferred shares in the capital of Holding, of which the Class D Preferred Share Number of shares have been authorized for issuance by Holding and will be issued by Holding as provided in Section 2.2 hereof;

“Holding Non-Voting Common Shares” means the non-voting common shares in the capital of Holding, of which 1000 shares have been authorized for issuance by Holding and will be issued by Holding as provided in Section 2.2 hereof;

“Holding Special Warrant” means a special warrant of Holding entitling the holder upon the automatic exercise of the Special Warrant as provided in Section 2.2 hereof to receive one Dundee REIT Series A Unit;

“Information Circular” means the notice of the Meeting and accompanying management information circular, including all appendices, sent to securityholders of the Corporation in connection with the Meeting;

“Initial REIT Unit” means the initial unit issued to the Corporation pursuant to the terms of the Dundee REIT Declaration of Trust;

“Interim Order” means the interim order of the Court, as the same may be amended, in respect of the Arrangement, as contemplated by section 2.2 of the Acquisition Agreement;

“LP Class A Units” means the class A limited partnership units of Dundee Properties LP;

“LP Class B Units, Series 1” means the class B, series 1 limited partnership units of Dundee Properties LP;

“LP Note, Series 1” means the demand promissory note of Dundee Properties LP in an aggregate principal amount equal to the amount that is the least of (A) the adjusted cost base to the Corporation of its limited partnership interest in DCP immediately prior to the Effective Time, as determined by the Corporation for purposes of the Tax Act; (B) the amount by which (w) the DCP Purchase Price exceeds

the sum of (x) the aggregate principal amount of the DCP Assumed Debt, (y) the aggregate amount of the other liabilities of DCP assumed by Dundee Properties LP under the DCP Master Asset Transfer Agreement and (z) the aggregate principal amount of the LP Note, Series 3; and, (C) the amount by which the sum of (x) the aggregate of the cost amount to DCP of its beneficial interest in each of the DCP Properties as at the Effective Date, as determined by DCP for purposes of the Tax Act and (y) \$60 million exceeds (z) the aggregate principal amount of the LP Note, Series 3;

“LP Note, Series 2” means the demand promissory note of Dundee Properties LP in an aggregate principal amount equal to the amount by which (A) the product of the DRC Number and the Dundee REIT Unit Price, exceeds (B) the aggregate principal amount of the LP Note Series 1;

“LP Note, Series 3” means the demand promissory note of Dundee Properties LP in an aggregate principal amount equal to the product of the Dundee REIT Series A Unit Price and 1,400,000;

“Letter of Transmittal” means the letter of transmittal for use by holders of Common Shares, in the form accompanying the Information Circular;

“Management Shareholders Number” means the quotient obtained when (A) the aggregate cost determined under Section 85 of the Tax Act to Holding of the Common Shares acquired from the Management Shareholders pursuant to section 2.2 less the aggregate principal amount of the Management Shareholder Promissory Notes is divided by (B) the Dundee REIT Series A Unit Price;

“Management Shareholder Promissory Notes” means, collectively, the demand promissory notes of the Management Shareholders issued to Holding in an aggregate amount equal to the amount of, and in consideration for, loans made by Holding prior to the Effective Date to each of the Management Shareholders, respectively, for the purpose of funding the repayment by the Management Shareholders to the Corporation immediately prior to the Effective Time of all outstanding indebtedness of the Management Shareholders to the Corporation and the payment by the Management Shareholders to the Corporation of the exercise price of any DRC Stock Options exercised by the Management Shareholders on the business day prior to the Effective Date;

“Management Shareholders” means Michael J. Cooper, the President and Chief Executive Officer of the Corporation, and Jeffrey B. Barnes, the Executive Vice President and Chief Financial Officer of the Corporation;

“Meeting” means the annual and special meeting of holders of Common Shares held on June 23, 2003;

“OBCA” means the *Business Corporations Act* (Ontario), as now enacted or as it may be amended;

“OTA” means Dundee Properties Operating Trust A, an open-ended unit trust formed under the laws of Ontario, all of the units of which are and shall be owned by Dundee REIT;

“OTA Notes” means demand promissory notes of OTA;

“OTB” means Dundee Properties Operating Trust B, an open-ended unit trust formed under the laws of Ontario, all of the units of which are and shall be owned by Dundee REIT;

“Public Number” means the difference between (A) 15,450,839 plus the number of Common Shares issued upon the exercise of DRC Stock Options after the date of the Acquisition Agreement and prior to the Effective Time, and (B) 6,909,245; and

“Tax Act” means the *Income Tax Act* (Canada), R.S.C. 1985, 5th Supplement, c. 1, as amended.

1.2 Sections and Headings

The division of this Plan of Arrangement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to Sections or Schedules are to Sections of, and Schedules to, this Plan of Arrangement.

1.3 Currency

All references to currency in this Plan of Arrangement are to Canadian dollars.

1.4 Time

Unless otherwise indicated, all times expressed herein are local time, Toronto, Canada.

1.5 Schedules

The following Schedules attached hereto form part of this Plan of Arrangement:

Schedule A — DCP Properties

Schedule B — DRC Properties

ARTICLE 2 ARRANGEMENT

2.1 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on the Corporation, Holding, Dundee REIT, OTA, OTB, Dundee Properties LP, Dundee Management LP all holders and all beneficial holders of Common Shares and all holders of DRC Stock Options.

2.2 Arrangement

Commencing at the Effective Time, the following shall occur and shall be deemed to occur, except as otherwise noted, one minute apart and in the following order without any further act or formality:

- (a) the DRC Shareholder Rights Plan shall be terminated;
- (b) DCP will transfer the LP Note, Series 1 to the Corporation as a return of capital;
- (c) the Corporation will transfer to Dundee REIT the LP Note, Series 1 and LP Note, Series 2 in consideration for the issuance by Dundee REIT of the DRC Number of Dundee REIT Series A Units;
- (d) Dundee REIT will redeem the Initial REIT Unit held by the Corporation in consideration for the payment to the Corporation of \$10 in cash;
- (e) the Corporation will transfer to Dundee REIT all of the issued and outstanding shares of Dundee Properties General Partner in consideration for the payment by Dundee REIT to the Corporation of \$1 in cash;
- (f) DCP will transfer to Dundee REIT the LP Note, Series 3 in consideration for the issuance by Dundee REIT of 1,400,000 Dundee REIT Series A Units;
- (g) Dundee REIT will transfer the LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3 to OTA in consideration for (i) units of OTA having an aggregate fair market value equal to 15% of the aggregate principal amount of the LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3 and (ii) OTA Notes in an aggregate principal amount equal to 85% of the aggregate principal amount of the acquired LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3;
- (h) OTA will transfer the LP Note, Series 1, LP Note, Series 2 and LP Note, Series 3 to Dundee Properties LP in consideration for the issuance by Dundee Properties LP to OTA of the Public Number of LP Class A Units;
- (i) the Corporation will acquire 15,000 Dundee REIT Series A Units in consideration for the DRC Note;

- (j) Dundee REIT will transfer the DRC Note to OTA in consideration for (i) units of OTA having an aggregate fair market value equal to 15% of the aggregate principal amount of the DRC Note (ii) OTA Notes in an aggregate principal amount equal to 85% of the aggregate principal amount of the DRC Note;
- (k) OTA will transfer the DRC Note to Dundee Properties LP in consideration for the issuance by Dundee Properties LP to OTA of 15,000 LP Class A Units;
- (l) the Corporation will distribute 100 Dundee REIT Series A Units to each of the Eligible Employees;
- (m) each outstanding Common Share held by a Public Shareholder will be acquired by Holding in consideration for the payment of \$3.00 in cash and the issuance of one Holding Special Warrant;
- (n) all of the outstanding Common Shares held by the Management Shareholders will be acquired by Holding in consideration for:
 - (i) the cancellation of the Management Shareholder Promissory Notes;
 - (ii) the issuance of the Management Shareholders Number of Holding Special Warrants;
 - (iii) the issuance of the Class D Preferred Share Number of Holding Class D Preferred Shares;
 - (iv) the issuance of 150 Holding Non-Voting Common Shares; and
 - (v) the issuance of 150 Holding Class C Voting Preferred Shares;

and such consideration shall be allocated and paid to each Management Shareholder, in the case of the consideration in (i) above, in accordance with such holder's outstanding indebtedness to Holding in respect of the Management Shareholder Promissory Notes and, in the case of the consideration in (ii) above, in that number of Holding Special Warrants (rounded down to the nearest whole number) determined in accordance with the following formula:

$$(A \div B) \times C$$

where:

“A” is the difference between the cost determined under Section 85 of the Tax Act to Holding of the Common Shares held by such Management Shareholder and the principal amount of the Management Shareholder Promissory Notes in respect of such Management Shareholder;

“B” is the difference between the aggregate cost determined under Section 85 of the Tax Act to Holding of the Common Shares held by all Management Shareholders and the aggregate principal amount of the Management Shareholder Promissory Notes; and

“C” is the Management Shareholders Number; and

in the case of the consideration referred to in (iii) above, in that number of Holding Class D Preferred Shares equal to the difference between the number of Common Shares held by such Management Shareholder and the number of Holding Special Warrants allocated to such Management Shareholder, and in the case of the consideration referred to in (iv) and (v) above, in that number of shares for such holder (rounded up or down to the nearest whole number) determined in accordance with the following formula;

$$(A \div B) \times 150$$

where:

“A” is the aggregate number of Common Shares held by such Management Shareholder; and

“B” is the aggregate number of Common Shares held by all Management Shareholders;

- (o) all of the outstanding Common Shares held by DBI and any Affiliate of DBI that is a registered shareholder of the Corporation at the Effective Time will be acquired by Holding in consideration for the issuance of:
 - (i) 1,000 Holding Class B Preferred Shares;
 - (ii) 850 Holding Non-Voting Common Shares;
 - (iii) 850 Holding Class C Voting Preferred Shares; and
 - (iv) 1,000 Holding Class A Preferred Shares;

and such consideration shall be allocated and paid to each of DBI and any Affiliate of DBI that is a registered shareholder of the Corporation at the Effective Time in that number of Holding shares for such holder (rounded up or down to the nearest whole number) determined in accordance with the following formula:

$$(A \div B) \times C$$

where:

“A” is the aggregate number of Common Shares held by such holder;

“B” is the aggregate number of Common Shares held by all such holders; and

“C” is 1000 in the case of the Holding Class B Preferred Shares and the Holding Class A Preferred Shares and is 850 in the case of the Holding Non-Voting Common Shares and the Holding Class C Voting Preferred Shares;

- (p) effective at 1:00 p.m. on the Effective Date, the Corporation will file an election with the Canada Customs and Revenue Agency to cease to be a public corporation pursuant to subparagraph (c)(i) of the definition of “public corporation” in subsection 89(1) of the Tax Act and subsection 4800(2) of the Regulations to the Tax Act;
- (q) effective at 6:00 p.m. on the Effective Date, the Corporation will transfer the DRC Number of Dundee REIT Series A Units to Holding as a return of capital;
- (r) effective at 6:01 p.m. on the Effective Date, DCP will transfer 1,400,000 Dundee REIT Series A Units to Holding in consideration for a demand promissory note of Holding in an amount equal to the product of 1,400,000 and the Dundee REIT Series A Unit Price;
- (s) effective at 6:02 p.m. on the Effective Date, each Holding Special Warrant will be automatically exercised and the holder will receive one Dundee REIT Series A Unit.

2.3 Trustees of Dundee REIT

The number of trustees of Dundee REIT as of the Effective Date shall be 9 and, as of the Effective Date, the trustees of Dundee REIT shall be Dr. Günther Bautz, Detlef Bierbaum, Donald K. Charter, Michael J. Cooper, Peter A. Crossgrove, Robert G. Goodall, David J. Goodman, Ned Goodman and Gert Silber-Bonz who, in the case of Dr. Günther Bautz and Messrs Bierbaum, Cooper, Crossgrove, Goodall and Silber-Bonz shall hold office until the first annual meeting of unitholders of Dundee REIT or until their successors are elected or appointed and, in the case of Messrs. Charter, David Goodman and Ned Goodman shall be DBI Appointees who shall hold office until replaced by DBI in accordance with the Dundee REIT Declaration of Trust.

ARTICLE 3
RIGHTS OF DISSENT

3.1 DRC Rights of Dissent

Registered holders of Common Shares may exercise rights of dissent pursuant to and in the manner set forth in section 185 of the OBCA and this Section 3.1 (the “Dissent Rights”) in connection with the Arrangement. Holders of Common Shares who duly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid fair value for their Common Shares, shall be deemed to have transferred such Common Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances, to the Corporation and such shares shall be cancelled as of the Effective Time; or
- (b) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Common Shares in accordance with the provisions of Section 185 of the OBCA, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Common Shares on the basis determined in accordance with Section 2.2;

but in no case shall the Corporation, Holding, the Depositary or any other Person be required to recognize such dissenting shareholders as holders of Common Shares after the Effective Time, and the names of such dissenting shareholders shall be deleted from the register of holders of Common Shares at the Effective Time.

ARTICLE 4
CASH, CERTIFICATES AND FRACTIONAL SHARES

4.1 Payment and Issuance of Certificates Representing Dundee REIT Series A Units

At or promptly after the Effective Time, Holding shall deposit with the Depositary, for the benefit of the holders of Common Shares, the aggregate cash amount and the certificates representing that number of whole Dundee REIT Series A Units to be delivered pursuant to Section 2.2. Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented Common Shares, together with a duly completed Letter of Transmittal and such additional documents, instruments and payments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, a certificate representing that number (rounded down to the nearest whole number) of Dundee REIT Series A Units, together with a cheque representing the cash payment, which such holder has the right to receive (together with any dividends or distributions with respect thereto pursuant to Section 4.2 and any cash in lieu of fractional Dundee REIT Series A Units pursuant to Section 4.3), less any amounts withheld pursuant to Section 4.6, and the certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of Common Shares that is not registered in the transfer records of the Corporation, a certificate representing the proper number of Dundee REIT Series A Units together with a cheque representing the proper cash payment may, subject to Section 2.2, be issued to the transferee if the certificate representing such Common Shares is presented to the Depositary, accompanied by a duly completed Letter of Transmittal and all documents required to evidence and effect such transfer. Unless otherwise directed by the Letter of Transmittal, each of the cheques and the certificates representing the Dundee REIT Series A Units referred to in Section 4.1 will be issued in the name of the registered holder of the Common Shares acquired.

4.2 Distributions with Respect to Unsurrendered Certificates

No dividends or other distributions declared or made with respect to Dundee REIT Series A Units with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Common Shares, and no cash payment in lieu of fractional Dundee REIT Series A Units shall be paid to any such holder pursuant to Section 4.3, unless

and until the holder of such certificate shall surrender such certificate in accordance with Section 4.1. Subject to applicable law, at the time of such surrender of any such certificate (or, in the case of clause (z) below, at the appropriate payment date), there shall be paid to the holder of the certificates which immediately prior to the Effective Time represented Common Shares, without interest, (x) the amount of any cash payable in lieu of a fractional Dundee REIT Series A Unit to which such holder is entitled pursuant to Section 4.3, (y) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to the Dundee REIT Series A Units to which such holder is entitled pursuant hereto and (z) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such Dundee REIT Series A Units.

4.3 No Fractional Units

No certificates representing fractional Dundee REIT Series A Units shall be issued upon the surrender for exchange of certificates pursuant to Section 4.1 and no dividend, stock split or other change in the capital structure of Dundee REIT shall relate to any such fractional security and such fractional securities shall not entitle the owner thereof to exercise any rights as a securityholder of Dundee REIT. In lieu of any such fractional securities each Person otherwise entitled to a fractional interest in a Dundee REIT Series A Unit will be entitled to receive a cash payment equal to such Person's *pro rata* portion (based on such Person's fractional interest in a Dundee REIT Series A Unit) of the net proceeds after expenses received by the Depository upon the sale of whole units representing an accumulation of all fractional interests in Dundee REIT Series A Units to which all such Persons would otherwise be entitled. The Depository will sell such Dundee REIT Series A Units by private sale (including by way of sale through the facilities of any stock exchange upon which the Dundee REIT Series A Units are then listed) as soon as reasonably practicable following the Effective Date. Subject to Section 4.2, the aggregate net proceeds after expenses of such sale will be distributed by the Depository, *pro rata* in relation to the respective fractions, among the Persons otherwise entitled to receive fractional interests in Dundee REIT Series A Units.

4.4 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares that were exchanged pursuant to Section 2.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will issue in exchange for such lost, stolen or destroyed certificate, any cash pursuant to Section 4.3 and/or the aggregate cash amount and one or more certificates representing one or more Dundee REIT Series A Units (and any dividends or distributions with respect thereto) deliverable in accordance with Section 2.2 and such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom certificates representing Dundee REIT Series A Units are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to the Depository, the Corporation and its transfer agent in such sum as the Depository or the Corporation may direct or otherwise indemnify the Depository and the Corporation in a manner satisfactory to the Depository and the Corporation against any claim that may be made against the Depository or the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 Extinction of Rights

Any certificate which immediately prior to the Effective Time represented outstanding Common Shares that is not deposited with all other instruments required by Section 4.1 on or prior to the sixth anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature as a securityholder of the Corporation or Dundee REIT. On such date, any cash payment and Dundee REIT Series A Units (or cash in lieu of fractional interests in Dundee REIT Series A Units, as provided in Section 4.3) to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Holding, together with all entitlements to dividends and distributions in respect thereof held for such former holder. None of the Corporation, Holding or the Depository shall be

liable to any person in respect of any Dundee REIT Series A Units (or dividends or distributions in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

4.6 Withholding Rights

The Corporation, Holding and the Depositary shall be entitled to deduct and withhold from any payment, dividend or consideration otherwise payable to any holder of Common Shares or Dundee REIT Series A Units such amounts as the Corporation, Holding or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act, the United States *Internal Revenue Code of 1986*, or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Holding and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Holding or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Holding or the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

4.7 Illegality of Delivery of Units

Notwithstanding the foregoing, if it appears to Holding that it would be contrary to applicable law to issue Dundee REIT Series A Units pursuant to the Arrangement to a person that is not a resident of Canada, the Dundee REIT Series A Units that otherwise would be issued to that person will be issued and delivered to the Depositary for sale by the Depositary on behalf of that person. The Dundee REIT Series A Units so delivered to the Depositary will be pooled and sold as soon as practicable after the Effective Date, on such dates and at such prices as the Depositary determines in its sole discretion. The Depositary shall not be obligated to seek or obtain a minimum price for any of the Dundee REIT Series A Units sold by it. Each such person will receive a pro rata share of the cash proceeds from the sale of the Dundee REIT Series A Units sold by the Depositary (less commissions, other reasonable expenses incurred in connection with the sale of the Dundee REIT Series A Units and any amount withheld in respect of taxes) in lieu of the Dundee REIT Series A Units themselves. The net proceeds will be remitted in the same manner as other payments pursuant to this Section 4. None of the Corporation, Holding, DBI or the Depositary will be liable for any loss arising out of any such sales.

ARTICLE 5

AMENDMENTS

5.1 Amendments to Plan of Arrangement

- (a) The Corporation reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by DBI (iii) filed with the Court and, if made following the Meeting, approved by the Court and (iv) communicated to the holders of Common Shares if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Corporation at any time prior to the Meeting (provided that DBI shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if (i) it is consented to by each of the Corporation and DBI, and (ii) if required by the Court, it is consented to by the holders of Common Shares voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by DBI, provided that it concerns a matter which, in the reasonable opinion of DBI, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of Dundee REIT Series A Units.

ARTICLE 6

FURTHER ASSURANCES

6.1 Further Assurances

Each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

SCHEDULE A
DCP PROPERTIES

QUEBEC

1. 2000 Rue Halpern, St-Laurent (Michelin Warehouse)

ONTARIO

2. 151 Bloor Street West, Toronto
3. 222-230 Queen Street (Capitol Square), Ottawa
4. 21 Fitzgerald Drive, Nepean
5. 1145 Hunt Club Road, Ottawa
6. 25 Fitzgerald Road, Nepean
7. 110 O'Connor Street, Ottawa
8. 77 Fima Crescent, Toronto
9. 2301 Royal Windsor Drive, Mississauga
10. 2311 Royal Windsor Drive, Mississauga
11. Centennial Mall, Brampton

ALBERTA

12. Office 99, Edmonton
13. Central Web Offset, Edmonton
14. 15303-128th Avenue, Edmonton
15. Ford Warehouse, Edmonton
16. Highfield Industrial Building, Calgary
17. Parkway East Building I, Edmonton
18. Parkway East Building II, Edmonton
19. Bonaventure Centre, Edmonton
20. Alberta Park, Edmonton
21. Kameyosek Shopping Centre, Edmonton
22. EPCOR Centre, Edmonton
23. Kensington House, Calgary

SASKATCHEWAN

24. Northgate Mall, Regina

GEORGIA

25. Greenbriar Mall, Atlanta
26. Magic Johnston Theatre, Atlanta

SCHEDULE B
DRC PROPERTIES

QUEBEC

1. 25 rue de Lauzon, Longueuil
2. 35 rue de Lauzon, Longueuil
3. 874-896 rue Transcanada, Longueuil
4. 908-926 rue Transcanada, Longueuil
5. 938-952 rue Transcanada, Longueuil
6. 982-1002 rue Transcanada, Longueuil
7. 8200 boulevard Décarie, Montréal
8. 105-125 Montée de Liesse, St. Laurent
9. 900-950 St-Martin Boulevard West, Laval
10. 2789-2855 Le Corbusier Boulevard, Laval
11. 768-790 boulevard Décarie, St. Laurent
12. 4575-4605 rue Hickmore, St. Laurent
13. 8250 boulevard Décarie, Montréal
14. 3669-3681 boulevard Des Sources, Dollard-des-Ormeaux
15. 7450 boulevard les Galerie d'Anjou, Anjou
16. 7400 boulevard les Galerie d'Anjou, Anjou
17. 295-341 Benjamin-Hudon Street and 255 Deslauriers Street, St. Laurent
18. 375-455 rue Deslauriers, St. Laurent
19. 295-371 rue Deslauriers, St. Laurent
20. 457-491 and 495-533 rue Deslauriers, St. Laurent
21. 555 and 604-678 rue Deslauriers, St. Laurent
22. 9045 chemin de la Côte de Liesse, Dorval
23. 9010-9060 rue Ryan, Dorval
24. 742 avenue Renaud, Dorval
25. 9125 and 9135 Côte de Liesse Road and 700 to 740 Renaud Street, Montréal
26. 9245 and 9255 chemin de la Côte de Liesse, Dorval
27. 9335-9395 chemin de la Côte de Liesse, Dorval
28. 735 to 743 avenue Renaud, Dorval
29. 9405 to 9475 chemin de la Côte de Liesse, Dorval
30. 9501 to 9521 chemin de la Côte de Liesse, Dorval
31. 9545 chemin de la Côte de Liesse, Dorval
32. 9551 to 9599 chemin de la Côte de Liesse, Dorval

33. 9601 to 9665 chemin de la Côte de Liesse, Dorval
34. 9675 chemin de la Côte de Liesse, Dorval
35. 9701 to 9745 chemin de la Côte de Liesse, Dorval
36. 10113-10161 chemin de la Côte de Liesse, Dorval
37. 10205-10255 chemin de la Côte de Liesse, Dorval
38. 165 Deslauriers Street, and 290-316 Benjamin-Hudon Street, Montréal
39. 105 to 145 rue Deslauriers, St. Laurent
40. 470 to 472 rue Deslauriers, St. Laurent
41. 500 to 510 rue Deslauriers, St. Laurent
42. 605 to 607 rue Deslauriers, St. Laurent
43. 200 to 210 rue Lebeau, St. Laurent
44. 220-230 rue Lebeau, St. Laurent
45. 350 to 360 rue Lebeau, St. Laurent
46. 300 avenue Labrosse, Pointe Claire
47. 985 Boulevard St-Jean, Pointe Claire
48. 953-981 rue St-Jean Boulevard, Point Claire
49. 3-243 Place Frontenac, Point Claire
50. 2115-2147 rue de la Province, Longueuil
51. 601-631 rue Bériault, Longueuil
52. 601-623 rue Le Breton, Longueuil
53. 1 and 3 Place du Commerce, Brossard
54. 2 Place du Commerce, Brossard
55. 5 Place du Commerce, Brossard
56. 7 Place du Commerce, Brossard
57. 8 Place du Commerce, Brossard
58. 9 Place du Commerce, Brossard
59. 10 Place du Commerce, Brossard
60. 11 Place du Commerce, Brossard
61. 3901 rue Jarry East, Montréal
62. 3961-4015 avenue Robert, Montréal

ONTARIO

63. 2400-2430 Meadowpine Boulevard, Mississauga
64. 2 St. Clair Avenue East, Toronto
65. 21 St. Clair Avenue East, Toronto
66. 56 Wellesley Street West, Toronto

67. 70 Richmond Street East, Toronto
68. Centennial Centre, Toronto
69. 110 Sheppard Avenue East, Toronto
70. 5 Park Home Avenue, Toronto
71. State Street Financial Centre, Toronto
72. Woodbine Steeles Corporate Centre, Markham
73. 1 Antares, Ottawa
74. 120 Valleywood Drive, Markham
75. 1820 Ironstone Drive, Burlington
76. 51 Caldari Road, Vaughan
77. 1020 Lorimar Avenue and 7115 Tomken Road, Mississauga
78. 1070-1100 Midway Boulevard, Mississauga
79. 2155 Steeles Avenue East and 7956 Torbram Road, Brampton
80. 1500-1520 Trinity Drive, Mississauga
81. 2110-2160 Williams Parkway, Brampton
82. 6500 Kitimat Road, Mississauga
83. 55 Idema Road, Markham
84. 85 Idema Road, Markham
85. 7600 Danbro Crescent, Mississauga
86. Simcoe Town Centre, Simcoe

ALBERTA

87. 6023-6039 Centre Street South, Calgary
88. 6043-6055 Centre Street South, Calgary
89. 102-114 61st Avenue SW, Calgary
90. 501-529 36th Avenue SE, Calgary
91. 535-561 36th Avenue SE, Calgary
92. 530-544 38A Avenue SE, Calgary
93. 4501-4509 1st Street SE, Calgary
94. 4515-4519 1st Street SE, Calgary
95. 4523-4529 1st Street SE, Calgary
96. 2705-2737 57th Avenue SE, Calgary
97. 3503-3521 62nd Avenue SE, Calgary
98. 2915-2925 58th Avenue SE, Calgary
99. 6804-6818 30th Street SE, Calgary
100. 7122-7126 Barlow Trail SE, Calgary

101. 7004-7042 30th Street SE, Calgary
102. 7128-7132 Barlow Trail SE, Calgary
103. 7102-7220 Barlow Trail SE, Calgary
104. 4710-4760 14th Street NE, Calgary
105. 4504-4576 14th Street NE, Calgary
106. 4001-4019 23rd Street NE, Calgary
107. 4620-4640 11th Street NE, Calgary
108. 4502-4516 10th Street NE, Calgary
109. 1135-1149 45th Avenue NE, Calgary
110. 4402-4434 10th Street NE, Calgary
111. 1139-1165 40th Avenue NE, Calgary
112. Roslyn Building, Calgary

BRITISH COLUMBIA

113. Station Tower, Surrey

SASKATCHEWAN

114. Preston Centre, Saskatoon

APPENDIX II
To The Acquisition Agreement Dated As Of May 20, 2003
Between Dundee Realty Corporation, Dundee Bancorp Inc., Dundee Real Estate
Investment Trust, Dundee Operating Trust A, Dundee Operating Trust B, Dundee
Properties Limited Partnership and Dundee Management Limited Partnership

ACQUISITION RESOLUTION

RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The acquisition (the "Acquisition") of the Corporation as described in the management information circular of the Corporation dated May 20, 2003 (the "Information Circular") including:

- (a) the sale (the "RP Properties and Property Management Sale") by the Corporation of (i) those commercial revenue producing properties described in the Information Circular to Dundee Properties Limited Partnership, which will be indirectly partially owned by Dundee Real Estate Investment Trust, and (ii) the Corporation's property management business to Dundee Management Limited Partnership, being substantially all of the assets of the Corporation, all in the manner contemplated in the Information Circular; and
- (b) the arrangement (the "Arrangement") under Section 182 of the *Business Corporations Act* (Ontario) (the "OBCA") of the Corporation, substantially as set forth in the plan of arrangement (the "Plan of Arrangement") attached as Schedule I to the acquisition agreement dated May 20, 2003 among the Corporation, Dundee Bancorp Inc., Dundee Real Estate Investment Trust, Dundee Properties Operating Trust A, Dundee Properties Operating Trust B, Dundee Properties Limited Partnership and Dundee Management Limited Partnership (the "Acquisition Agreement") attached as Appendix D to the Information Circular,

is authorized and approved.

2. Notwithstanding that this special resolution has been passed by the shareholders of the Corporation or that the Arrangement has been approved by the Superior Court of Justice of Ontario (the "Court"), the directors of the Corporation are hereby authorized without the further approval of the shareholders to:

- (a) amend the Acquisition Agreement or the Plan of Arrangement to the extent permitted under their terms;
- (b) decide not to proceed with the RP Properties and Property Management Sale and the Arrangement at any time prior to the acceptance for filing by the Director appointed under the OBCA of the Articles of Arrangement; and
- (c) revoke this special resolution before it is acted on.

3. Any one officer or director of the Corporation is authorized to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments (including the Articles of Arrangement for filing with the Director appointed under the OBCA) and to do or cause to be done all such other acts and things as such officer or director of the Corporation shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of such act or thing.

APPENDIX E
INTERIM ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

**THE HONOURABLE
JUSTICE PITT**

)
)
)

**THURSDAY, THE 22ND DAY
OF MAY, 2003**

**IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE
BUSINESS CORPORATIONS ACT, R.S.O. 1990, c. B.16, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT OF
DUNDEE REALTY CORPORATION**

**AND IN THE MATTER OF APPLICATIONS UNDER SECTION 3 OF THE
BULK SALES ACT, R.S.O. 1990, c. B.14, AS AMENDED**

**DUNDEE REALTY CORPORATION AND
DUNDEE CONSOLIDATED PROPERTIES**

Applicants

INTERIM ORDER

THIS MOTION, made by the Applicant, Dundee Realty Corporation (“Dundee Realty”), pursuant to section 182(5) of the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the “*OBCA*”), for an interim order for advice and directions in connection with the within application (the “Application”) to approve an arrangement under Section 182 of the *OBCA*, was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the Notice of Motion, the Affidavit of Jeffrey B. Barnes, sworn May 21, 2003 (the “Affidavit”), and the exhibits thereto, and on hearing the submissions of counsel for the Applicants,

Definitions

1. THIS COURT ORDERS that for the purposes of this Interim Order, all capitalized terms not otherwise defined in this Interim Order shall have the meaning ascribed in the draft Management Information Circular with respect to a Proposed Acquisition Involving Dundee Realty Corporation and Dundee Bancorp Inc. (the “Information Circular”) attached as Exhibit 1 to the Affidavit.

The Meeting

2. THIS COURT ORDERS that Dundee Realty is authorized to call, hold and conduct the Meeting of Shareholders of the Common Shares of Dundee Realty to, among other things, consider and, if deemed advisable, to pass, with or without variation, the Acquisition Resolution, a copy of which is attached as Appendix B to the Information Circular, to authorize, approve and adopt the Arrangement in substantially the

same form as the Plan of Arrangement set out in the Acquisition Agreement, which is attached as Appendix D to the Information Circular.

3. THIS COURT ORDERS that the Meeting shall be called, held and conducted in accordance with the “Notice of Annual and Special Meeting” forming part of the Information Circular (the “Notice of Annual and Special Meeting”), the *OBCA*, and the articles and by-laws of Dundee Realty (including quorum requirements), subject to the terms of this Interim Order or any further Order of this Honourable Court.

Amendments

4. THIS COURT ORDERS that Dundee Realty is authorized to make, in the manner contemplated in the Acquisition Agreement, such amendments, revisions and/or supplements to the Plan of Arrangement as it may determine, and the Plan of Arrangement as so amended, revised or supplemented shall be the Plan of Arrangement submitted to the Special Meeting and the subject of the Acquisition Resolution.

Adjournments and Postponements

5. THIS COURT ORDERS that Dundee Realty, if it deems advisable, is authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the holders of Common Shares respecting the adjournment or postponement.

Solicitation of Proxies

6. THIS COURT ORDERS that Dundee Realty is authorized to use the Form of Proxy, in substantially the same form attached as Exhibit 6 to the Affidavit, subject to Dundee Realty’s ability to insert dates, the names of the registered shareholders, the number of Common Shares and other relevant information in the final Form of Proxy. Dundee Realty is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine. Dundee Realty may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if Dundee Realty deems it advisable to do so.

Notice of the Meeting, the Application and Distribution of Information Circular

7. THIS COURT ORDERS that the Notice of Application, the Notice of Annual and Special Meeting, the Information Circular, the Form of Proxy and the Letter of Transmittal (collectively referred to as the “Meeting Materials”) in substantially the same form attached as Exhibits to the Affidavit (subject to Dundee Realty’s ability to change dates and make amendments or provide such additional communications or documents thereto as counsel for Dundee Realty may advise are necessary or desirable, provided that such changes, amendments, communications or documents are not inconsistent with the terms of this Interim Order) and this Interim Order shall be distributed to the Shareholders, the directors of Dundee Realty, and the auditors of Dundee Realty, by one or more of the following methods not later than twenty-one (21) days prior to the Meeting:

- (a) in the case of the registered Shareholders, by prepaid ordinary mail, by expedited parcel post, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books or records of Dundee Realty as of May 9, 2003 or such later date as Dundee Realty may determine in accordance with the *OBCA* (the “Record Date”);

- (b) in the case of non-registered Shareholders, by providing multiple copies of the Meeting Materials to intermediaries and registered nominees in a timely manner;
- (c) in the case of the directors of Dundee Realty, by courier or by delivery in person, addressed to the individual directors;
- (d) in the case of the auditors of Dundee Realty, by courier or by delivery in person, addressed to the firm of auditors;

and that such mailing, delivery and distribution shall constitute good and sufficient notice of the Application and the Meeting, and the hearing in respect of the Application upon such persons.

8. THIS COURT ORDERS that the Notice of Application and the Information Circular (collectively the “Court Materials”) in substantially the same form as contained in Exhibit 1 to the Affidavit (subject to Dundee Realty’s ability to change dates and make amendments or provide such additional communications or documents thereto as counsel for Dundee Realty may advise are necessary or desirable, provided that such changes, amendments, communications or documents are not inconsistent with the terms of this Interim Order), shall be distributed to holders of options to purchase Common Shares by prepaid ordinary mail, by expedited parcel post, by courier (at their addresses as they appear on the books and records of Dundee Realty as of the Record Date) or by delivery in person no later than twenty-one (21) days before the Special Meeting and that such mailing, delivery and distribution shall constitute good and sufficient notice of the Application and the hearing in respect of the Application upon such persons. The holders of such options are hereby made parties to this proceeding.

9. THIS COURT ORDERS that the accidental failure or omission to give notice of the Meeting or distribute the Meeting Materials or the Court Materials in accordance with paragraphs 7 and 8 above, or the non-receipt of such notice or the Meeting Materials or the Court Materials, shall not constitute a breach of this Interim Order or a defect in the calling of the Meeting or invalidate any resolution passed or proceedings taken at the Meeting, but if any such failure or omission is brought to the attention of Dundee Realty, then Dundee Realty shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

10. THIS COURT ORDERS that no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made or notice given or other material served in respect of these proceedings or the Meeting, except as may be directed by a further Order of this Honourable Court.

Voting

11. THIS COURT ORDERS that the only persons entitled to attend the Meeting shall be: (a) the registered Shareholders, or their respective proxies; (b) the officers, directors, auditors and advisors of Dundee Realty and (c) other persons who may receive the permission of the Chair of the Meeting.

12. THIS COURT ORDERS that subject to further Order of this Honourable Court, the vote required to pass and approve the Acquisition Resolution shall be the affirmative vote of:

- (a) not less than 66²/₃% of the votes cast at the Meeting by the Shareholders, voting together as a single class; and

(b) not less than 50% of the votes cast at the Meeting by the Minority Shareholders.

13. THIS COURT ORDERS that the votes shall be taken at the Meeting on the basis that the Shareholders are entitled to cast one vote per Common Share they hold. For this purpose any spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in approval of the Acquisition Resolution.

14. THIS COURT ORDERS that such votes shall be sufficient to authorize Dundee Realty to do all such acts necessary or desirable to give effect to the Arrangement and Plan of Arrangement on a basis consistent with what is provided for in the Information Circular, without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement and the Plan of Arrangement by this Honourable Court.

15. THIS COURT ORDERS that the only persons entitled to vote at the Meeting shall be the registered Shareholders as at the close of business on the Record Date for the Meeting, subject to the provisions of the *OBCA* with respect to persons who may become registered Shareholders after that date.

Dissent Rights

16. THIS COURT ORDERS that each Shareholder shall be entitled to exercise rights of dissent in connection with the Acquisition Resolution in accordance with section 185 of the *OBCA* provided that each Shareholder comply with the requirements of the *OBCA*.

17. THIS COURT ORDERS that holders of Company Shares who exercise such rights of dissent set out in paragraph 16 above and who:

- (a) are ultimately entitled to be paid fair value for their Common Shares, shall be deemed to have transferred such Common Shares at the Effective Time to Dundee Realty, without any further act or formality, and free and clear of all liens, claims and encumbrances; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Common Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder;

but in no case shall Dundee Realty, DBI, or any other person or entity be required to recognize such Dissenting Shareholders as Shareholders after the Effective Time, and the names of such Dissenting Shareholders shall be deleted from the registers of the Shareholders at the Effective Time.

Hearing of Application for Approval of Arrangement

18. THIS COURT ORDERS that upon approval by the Shareholders of the Acquisition Resolution in the manner set forth in this Interim Order, Dundee Realty may apply to this Honourable Court for final approval of the Arrangement and the Plan of Arrangement.

19. THIS COURT ORDERS that the only persons entitled to notice of any further proceedings herein, including the hearing of the within Application, and to appear and to be heard thereon, shall be:

(a) Dundee Realty, DCP and their solicitors;

(b) DBI and its solicitors, and

(c) any person who has delivered a Notice of Appearance herein in accordance with the *Rules of Civil Procedure*.

20. THIS COURT ORDERS that any Notice of Appearance served in response to the Notice of Application shall be served on counsel for Dundee Realty at the following address: Osler, Hoskin & Harcourt LLP, P.O. Box 50, 1 First Canadian Place, Toronto, Ontario M5X 1B8, Attention: Laura K. Fric.

21. THIS COURT ORDERS that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, that only those parties having previously filed a Notice of Appearance shall be entitled to be given notice of the adjourned date.

22. THIS COURT ORDERS that, to the extent of any inconsistency or discrepancy with respect to the matters provided for in this Interim Order, between this Interim Order and the terms of any instrument creating, governing or collateral to the Common Shares or the articles or by-laws of Dundee Realty, this Interim Order shall govern.

23. THIS COURT seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any Province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States to act in aid of and to assist this Court in carrying out the terms of this Interim Order.

24. THIS COURT ORDERS that Dundee Realty shall be entitled to seek leave to vary this Order.

“Pitt J.”

APPENDIX F
NOTICE OF APPLICATION FOR FINAL ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

**IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE
BUSINESS CORPORATIONS ACT, R.S.O. 1990, c. B.16, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT OF
DUNDEE REALTY CORPORATION**

**AND IN THE MATTER OF APPLICATIONS UNDER SECTION 3 OF THE
BULK SALES ACT, R.S.O. 1990, c. B.14, AS AMENDED**

**DUNDEE REALTY CORPORATION AND
DUNDEE CONSOLIDATED PROPERTIES**

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on **June 25, 2003**, at 10 a.m. or as soon after that time as the Application may be heard at 393 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the rules of court, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

If you wish to defend this proceeding but are unable to pay legal fees, legal aid may be available to you by contacting a local Legal Aid office.

Date: May 15, 2003

"N. Brown"

Local Registrar

Address of court office:
393 University Avenue
Toronto, ON M5G 1E6

TO: HOLDERS OF COMMON SHARES OF DUNDEE REALTY CORPORATION

AND TO: HOLDERS OF OPTIONS TO PURCHASE COMMON SHARES OF DUNDEE REALTY CORPORATION

AND TO: DIRECTORS OF DUNDEE REALTY CORPORATION

AND TO: PRICEWATERHOUSECOOPERS LLP
Suite 1900, 5700 Yonge Street
Toronto, ON M2M 4K7

Serge Gattesco
(416) 228-1040
(416) 218-9751 (fax)

Auditors for Dundee Realty Corporation

AND TO: Blake, Cassels & Graydon LLP
Suite 2800, 199 Bay Street
P.O. Box 25
Commerce Court West
Toronto, ON M5L 1A9

Alan Brown
(416) 863-2674
(416) 863-0871 (fax)

Solicitors for Dundee Bancorp Inc.

AND TO: McMillan Binch LLP
Box 38
200 Bay Street
Royal Bank Plaza
South Tower
Toronto, ON M5J 2J7

Robert McDermott
(416) 865-7085
(416) 865-7048 (fax)

Solicitors for the Special Committee

APPLICATION

1. THE APPLICANT, DUNDEE REALTY CORPORATION (“DUNDEE REALTY”), MAKES APPLICATION FOR:

- (a) an interim order for advice and directions pursuant to section 182(5) of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended (the “OBCA”);
- (b) an order pursuant to sections 182(3) and 182(5) of the OBCA approving a plan of arrangement (the “Arrangement”) involving Dundee Realty and its shareholders;
- (c) an Order pursuant to subsection 3(1) of the *Bulk Sales Act*, R.S.O. 1990, c. B.14 exempting from the application of the *Bulk Sales Act*, except section 7 thereof:
 - (i) a sale in bulk of certain assets from Dundee Realty to Dundee Properties Limited Partnership effective on the effective date of the Arrangement (the “Effective Date”);
 - (ii) a sale in bulk of certain assets from Dundee Realty to Dundee Realty Management Corp. effective on the Effective Date; and
- (d) such further and other relief as this Honourable Court may deem just.

2. THE APPLICANT, DUNDEE CONSOLIDATED PROPERTIES, MAKES APPLICATION FOR:

- (a) an Order pursuant to subsection 3(1) of the *Bulk Sales Act*, R.S.O. 1990, c. B.14 exempting from the application of the *Bulk Sales Act*, except section 7 thereof:
 - (i) a sale in bulk of certain assets from Dundee Consolidated Properties to Dundee Properties Limited Partnership effective on the Effective Date; and,
- (b) such further and other relief as this Honourable Court may deem just.

3. THE GROUNDS FOR THE APPLICATION ARE:

- (a) In respect of the application of Dundee Realty under section 182 of the OBCA:
 - (i) all statutory requirements under the OBCA have been fulfilled;
 - (ii) the Arrangement is fair and reasonable;
 - (iii) section 182 of the OBCA;
 - (iv) certain holders of Common Shares of Dundee Realty are resident outside Ontario and will be served with the Notice of Application at their addresses as they appear on the books

and records of Dundee Realty at the close of business on the record date established by Dundee Realty pursuant to Rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure* and/or as this Honourable Court may direct in an interim order;

(v) if made, it is anticipated that the order approving the Plan of Arrangement will constitute the basis for an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended, pursuant to section 3(a)(10) thereof, with respect to Units, Series A of Dundee Real Estate Investment Trust to be issued to holders of Common Shares of Dundee Realty pursuant to the Arrangement; and

(vi) such further and other grounds as counsel may advise and this Honourable Court permit.

(b) in respect of the applications by Dundee Realty and Dundee Consolidated Properties under the *Bulk Sales Act*:

(i) the sales are advantageous to the sellers;

(ii) the sales will not impair the sellers' abilities to pay their respective creditors in full;

(iii) subsection 3(1) of the *Bulk Sales Act*; and

(iv) such further and other grounds as counsel may advise and this Honourable Court permit.

(c) rules 14.01, 14.05(2), 14.05(3)(f) and 38 of the *Rules of Civil Procedure*; and

(d) such further and other grounds as counsel may advise and this Honourable Court may permit.

4. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:

(a) such Interim Order as may be granted by this Honourable Court;

(b) affidavits to be sworn on behalf of Dundee Realty and Dundee Consolidated Properties and the exhibits thereto; and

(c) such further and other material as counsel may advise and this Honourable Court may permit.

May 15, 2003

OSLER, HOSKIN & HARCOURT LLP

P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

Larry P. Lowenstein (LSUC# 23120C)
(416) 862-6454

Laura K. Fric (LSUC# 36545Q)

(416) 862-5899

(416) 862-6666 (fax)

Solicitors for the Applicants,
Dundee Realty Corporation and Dundee
Consolidated Properties

APPENDIX G
INDEX TO FINANCIAL STATEMENTS

This Information Circular contains the following financial statements:

	<u>Page</u>
Audited Commercial Real Estate Division Combined Financial Statements as at December 31, 2002 and 2001 and for each of the years ended December 31, 2002, 2001 and 2000	G-2
Management's Discussion and Analysis of the Commercial Real Estate Division for the years ended December 31, 2002, 2001 and 2000	G-20
Audited Financial Statement of Dundee Real Estate Investment Trust as at May 9, 2003	G-31
Unaudited Pro Forma Condensed Consolidated Financial Statements of Dundee Real Estate Investment Trust as at December 31, 2002 and for the year then ended	G-33

**COMMERCIAL REAL ESTATE DIVISION
COMBINED FINANCIAL STATEMENTS**

AUDITORS' REPORT

**TO THE DIRECTORS OF
DUNDEE REALTY CORPORATION**

We have audited the combined balance sheets of the Commercial Real Estate Division of Dundee Realty Corporation (as defined in Note 1), as at December 31, 2002 and 2001 and the related combined statements of net income and divisional equity, and cash flows for each of the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of Dundee Realty Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Commercial Real Estate Division of Dundee Realty Corporation as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years ended December 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Ontario

April 3, 2003

**COMMERCIAL REAL ESTATE DIVISION
COMBINED BALANCE SHEETS**

	<u>Note</u>	<u>December 31, 2002</u>	<u>December 31, 2001</u>
		(In thousands of dollars)	
ASSETS			
Revenue properties	3	\$840,755	\$831,962
Amounts receivable and other assets	4	22,812	22,304
Cash and short-term deposits		<u>5,644</u>	<u>4,599</u>
		<u>\$869,211</u>	<u>\$858,865</u>
LIABILITIES AND DIVISIONAL EQUITY			
Debt	6	\$504,159	\$484,404
Amounts payable and accrued liabilities	7	14,620	19,514
Future income tax liability	12	<u>59,838</u>	<u>55,773</u>
		578,617	559,691
Divisional equity	8	<u>290,594</u>	<u>299,174</u>
		<u>\$869,211</u>	<u>\$858,865</u>

See accompanying notes to the combined financial statements

On behalf of the Board of Dundee Realty Corporation:



Michael J. Cooper
Director



Ned Goodman
Chairman

COMMERCIAL REAL ESTATE DIVISION
COMBINED STATEMENTS OF NET INCOME AND DIVISIONAL EQUITY

	<u>Note</u>	For the Years Ended December 31		
		<u>2002</u>	<u>2001</u>	<u>2000</u>
				(In thousands of dollars)
REVENUE				
Revenue properties		\$146,682	\$135,654	\$126,181
Property management		853	1,910	1,751
Interest and other income		571	190	518
		<u>148,106</u>	<u>137,754</u>	<u>128,450</u>
OPERATING EXPENSES				
Revenue properties		73,187	65,612	60,690
Property management		421	187	489
		<u>73,608</u>	<u>65,799</u>	<u>61,179</u>
NET OPERATING INCOME		<u>74,498</u>	<u>71,955</u>	<u>67,271</u>
OTHER EXPENSES				
Interest	10	35,602	32,682	31,209
Depreciation and amortization	11	13,012	10,645	9,162
General and administrative		5,613	6,710	5,234
		<u>54,227</u>	<u>50,037</u>	<u>45,605</u>
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES		<u>20,271</u>	<u>21,918</u>	<u>21,666</u>
INCOME TAXES				
Current income and large corporations taxes	12	3,312	3,617	764
Future income taxes	12	4,076	3,723	(2,844)
		<u>7,388</u>	<u>7,340</u>	<u>(2,080)</u>
NET INCOME		12,883	14,578	23,746
DIVISIONAL EQUITY, BEGINNING OF YEAR		299,174	285,678	273,664
Funds transferred to Dundee Realty Corporation		(21,091)	(2,663)	(11,975)
Change in foreign currency translation amount		(372)	1,581	243
DIVISIONAL EQUITY, END OF YEAR		<u>\$290,594</u>	<u>\$299,174</u>	<u>\$285,678</u>

See accompanying notes to the combined financial statements

COMMERCIAL REAL ESTATE DIVISION
COMBINED STATEMENTS OF CASH FLOWS

	<u>Note</u>	<u>For the Years Ended December 31</u>		
		<u>2002</u>	<u>2001</u>	<u>2000</u>
				(In thousands of dollars)
GENERATED FROM (UTILIZED IN) OPERATING ACTIVITIES				
Net income		\$ 12,883	\$ 14,578	\$ 23,746
Non-cash items:				
Depreciation and amortization		13,012	10,645	9,162
Future income taxes		<u>4,076</u>	<u>3,723</u>	<u>(2,844)</u>
Funds from operations		29,971	28,946	30,064
Deferred leasing costs		(10,361)	(6,373)	(6,188)
Change in non-cash working capital items		<u>(2,318)</u>	<u>(13,167)</u>	<u>6,275</u>
		<u>17,292</u>	<u>9,406</u>	<u>30,151</u>
GENERATED FROM (UTILIZED IN) INVESTING ACTIVITIES				
Investment in revenue properties	3	(6,440)	(10,306)	(9,708)
Acquisition of revenue properties	3	<u>(420)</u>	<u>(6,797)</u>	<u>(1,607)</u>
		<u>(6,860)</u>	<u>(17,103)</u>	<u>(11,315)</u>
GENERATED FROM (UTILIZED IN) FINANCING ACTIVITIES				
Mortgages	6	7,430	(6,615)	(2,817)
Term debt	6	4,274	15,730	(3,161)
Restricted cash		<u>(15)</u>	<u>93</u>	<u>(266)</u>
Financing activities before net funds transferred to Dundee Realty Corporation		11,689	9,208	(6,244)
Net funds transferred to Dundee Realty Corporation		<u>(21,091)</u>	<u>(2,663)</u>	<u>(11,975)</u>
		<u>(9,402)</u>	<u>6,545</u>	<u>(18,219)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		1,030	(1,152)	617
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>1,621</u>	<u>2,773</u>	<u>2,156</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		2,651	1,621	2,773
Restricted cash	5	<u>2,993</u>	<u>2,978</u>	<u>3,071</u>
CASH AND SHORT-TERM DEPOSITS		<u>\$ 5,644</u>	<u>\$ 4,599</u>	<u>\$ 5,844</u>

See accompanying notes to the combined financial statements

NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION FINANCIAL STATEMENTS

(All dollar amounts in thousands)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The organization presented in these combined financial statements is not a legal entity. It represents the combination of an 11.1 million square foot portfolio comprising 52 office, 110 industrial and 5 retail revenue properties owned by Dundee Realty Corporation, and 50% of the property management operations of Dundee Realty Corporation relating to revenue properties, together with their related assets and liabilities (the “Commercial Real Estate Division” or the “Division”) to be acquired (the “Acquisition”) by Dundee Real Estate Investment Trust (“Dundee REIT”).

These combined financial statements present the financial position, results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division’s proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates that are expected to be included in Dundee REIT.

The combined financial statements of the Division are prepared in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants (“CICA”) and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies (“CIPPREC”). Management has extracted the information used to prepare these combined financial statements from the audited financial statements of Dundee Realty Corporation. Divisional equity represents the excess of the Division’s assets over the Division’s liabilities.

All balances except for income tax, capital and large corporations taxes and general and administrative expenses have been derived from records specific to the properties and entities expected to be transferred to Dundee REIT. Capital and large corporations taxes have been allocated to the Division based on the net book value of the properties expected to be transferred to Dundee REIT that are subject to such taxes relative to the total net book value of the properties of Dundee Realty Corporation that are subject to such taxes. Other income taxes have been determined based on the operation of, and taxable temporary differences related to the net assets of the Division, as if it were a separate taxable entity. General and administrative expenses have been allocated to the Division based on the net book value of the assets expected to be transferred to Dundee REIT relative to the total net book value of the assets of Dundee Realty Corporation.

These combined financial statements are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the years presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to reflect possible incremental changes to the cost structure as a result of the Acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

Revenue properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion. The Division has retained substantially all of the benefits and risks of ownership of its revenue properties and therefore accounts for leases as operating leases.

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

Rental revenues include base rents, recoveries of operating expenses including property, capital and large corporations taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The total of the cash rents received for the initial term of the lease for free rent tenant inducements are recorded on a straight-line basis over this period. Leases, which include contractual increases in basic rents, are only accounted for on a straight-line basis when they exceed expected increases in the projected Consumer Price Index; otherwise basic rents are accounted for as they become due. Recoveries from tenants are recognized as revenues in the period in which the applicable costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. The Division provides an allowance for doubtful accounts against that portion of accounts receivable which is estimated to be uncollectible. Such allowances are reviewed periodically based upon the recovery experience of the Division.

Property management revenues are recognized when earned.

Revenue Properties Net Book Value

Revenue properties are stated at the lower of historic cost less accumulated depreciation and the net recoverable amount. Revenue properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less revenue earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property, combined with its estimated residual value, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Buildings, including initial leasing costs and major expansions and renovations, are depreciated using the sinking fund method. Under this method, an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings over their estimated useful lives of 30 to 40 years. Building improvements are depreciated on a straight-line basis over the life of the improvement. Deferred leasing costs, which include leasehold improvements and tenant inducements, other than initial leasing costs, are depreciated on a straight-line basis over the term of the applicable lease. Pavement, equipment and vehicles are depreciated on the declining balance basis over their estimated useful lives at 8% to 30% per annum.

Foreign Currency Translation

The Division's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the year. Translation gains and losses are deferred as a separate component of Divisional equity until there has been a realized reduction in the underlying investment.

Foreign Currency Transactions

Monetary assets and liabilities to be settled in foreign currencies, which are not held in foreign self-sustaining operations, are translated into Canadian dollars using the year-end rate of exchange. Non-monetary assets, liabilities, revenues and expenses are translated at the rate in effect on the date of the transaction. Gains and losses are included in the combined statements of net income. No such gains or losses were recorded in either 2000, 2001 or 2002.

Deferred Expenses

Deferred expenses may include:

- Debt issue expenses that are amortized on a straight-line basis over the term of the debt;

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project;
- Direct acquisition costs, which exclude general and administrative costs, are deferred until the acquisition is completed and the costs are capitalized to the acquisition, or the acquisition is abandoned and the costs are written off;
- Recoverable operating expenses, which are amortized over the period during which they are recoverable from tenants; and
- Non-recoverable major improvement expenditures, which are amortized over their expected useful lives.

Other Equipment

Other equipment consists of office premise improvements, furniture, computer equipment and vehicles, which are depreciated on the declining balance basis over their estimated useful lives at 20% to 30% per annum.

Income Taxes

The Division uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of the Division's assets and liabilities and their carrying amounts for tax purposes. The provision for recovery of current income and large corporations taxes does not result in current taxes payable or receivable in these combined financial statements as such items are the obligation of, or the right of, legal entities not included in the Division. The benefits of tax losses are not reflected as a reduction of the future income tax liability recognized in these combined financial statements because they are the right of those legal entities not included in the Division. As such, current taxes payable or receivable and the benefit of losses, are included in Divisional equity as a component of the amount of funds transferred to Dundee Realty Corporation. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized as income in the period when the tax rate change is substantively enacted. Note 12 includes additional information on the composition of income tax expense and future income tax liability.

Funds from Operations

Funds from operations is calculated in accordance with CIPPREC recommendations and is considered to be a meaningful and useful measure of real estate operating performance. However, funds from operations does not represent cash flow from operating activities as defined by Canadian GAAP, is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity.

Cash and Cash Equivalents

For the purposes of the combined statements of cash flows, the Division considers all short-term investments with an original maturity of three months or less to be cash equivalents, and excludes cash subject to restrictions that prevent its use for current purposes.

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

3. REVENUE PROPERTIES

	<u>2002</u>	<u>2001</u>
Land	\$143,198	\$143,108
Building and building improvements	704,363	693,493
Equipment	11	3
Deferred leasing costs	<u>33,877</u>	<u>23,899</u>
	881,449	860,503
Accumulated depreciation	<u>(40,694)</u>	<u>(28,541)</u>
TOTAL	<u><u>\$840,755</u></u>	<u><u>\$831,962</u></u>

<u>Investment in Revenue Properties</u>	<u>Total Cost</u>	<u>Financing</u>	<u>Net Cash</u>
For the Year Ended December 31, 2002:			
Revenue properties under development	\$ 3,565	\$ 7,989	\$(4,424)
Building improvements and equipment	<u>6,521</u>	<u>—</u>	<u>6,521</u>
	10,086	7,989	2,097
Adjustment for other non-cash items	<u>4,343</u>	<u>—</u>	<u>4,343</u>
TOTAL	<u><u>\$14,429</u></u>	<u><u>\$ 7,989</u></u>	<u><u>\$ 6,440</u></u>

For the Year Ended December 31, 2001:			
Revenue properties under development	\$21,896	\$16,182	\$ 5,714
Building improvements and equipment	<u>8,630</u>	<u>—</u>	<u>8,630</u>
	30,526	16,182	14,344
Adjustment for other non-cash items	<u>(4,038)</u>	<u>—</u>	<u>(4,038)</u>
TOTAL	<u><u>\$26,488</u></u>	<u><u>\$16,182</u></u>	<u><u>\$10,306</u></u>

For the Year Ended December 31, 2000:			
Revenue properties under development	\$10,968	\$ 1,772	\$ 9,196
Building improvements and equipment	<u>1,912</u>	<u>—</u>	<u>1,912</u>
	12,880	1,772	11,108
Adjustment for other non-cash items	<u>(1,400)</u>	<u>—</u>	<u>(1,400)</u>
TOTAL	<u><u>\$11,480</u></u>	<u><u>\$ 1,772</u></u>	<u><u>\$ 9,708</u></u>

<u>Acquisition of Revenue Properties</u>	<u>Total Cost</u>	<u>Financing</u>	<u>Net Cash</u>
For the Year Ended December 31, 2002	<u>\$ 915</u>	<u>\$ 495</u>	<u>\$ 420</u>
For the Year Ended December 31, 2001	<u>\$26,246</u>	<u>\$19,449</u>	<u>\$6,797</u>
For the Year Ended December 31, 2000	<u>\$ 1,607</u>	<u>\$ —</u>	<u>\$1,607</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

4. AMOUNTS RECEIVABLE AND OTHER ASSETS

	<u>2002</u>	<u>2001</u>
Amounts receivable and deposits	\$ 5,479	\$ 6,301
Prepaid and deferred expenses	14,913	12,849
Loans receivable	103	212
Other equipment	<u>2,317</u>	<u>2,942</u>
TOTAL	<u>\$22,812</u>	<u>\$22,304</u>

Amounts receivable and deposits include billed credit adjustments of \$1,251 (2001 — \$1,890) and unbilled credit adjustments of \$1,529 (2001 — \$1,173). Other equipment is net of accumulated depreciation of \$3,170 (2001 — \$2,349). The book value of the loans receivable approximates their estimated fair value at December 31, 2002, and 2001. Total U.S. dollar denominated amounts receivable and other assets are US\$1,001 (2001 — US\$558).

5. RESTRICTED CASH

Restricted cash primarily represents tenant rent deposits and cash held as security for mortgages.

6. DEBT

	<u>2002</u>	<u>2001</u>
Mortgages	\$417,437	\$402,509
Term debt	<u>86,722</u>	<u>81,895</u>
TOTAL	<u>\$504,159</u>	<u>\$484,404</u>

Mortgages include US\$26,135 (2001 — US\$26,687) of debt securing assets located in the United States.

Mortgages and term debt are secured by charges on specific revenue properties.

The weighted average interest rates for the fixed and floating components of the debt are as follows:

	<u>Weighted Average Interest Rates</u>		<u>Maturity Dates</u>	<u>2002</u>	<u>2001</u>
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
FIXED RATE					
Mortgages	7.28%	7.28%	2003 to 2013	\$417,437	\$371,789
Term debt	<u>7.71%</u>	<u>7.72%</u>	2003 to 2006	<u>62,357</u>	<u>56,513</u>
TOTAL FIXED RATE	<u>7.33%</u>	<u>7.34%</u>		<u>\$479,794</u>	<u>\$428,302</u>
VARIABLE RATE					
Mortgages	—	6.38%	—	\$ —	\$ 30,720
Term debt	<u>5.53%</u>	<u>5.02%</u>	2004	<u>24,365</u>	<u>25,382</u>
TOTAL VARIABLE RATE	<u>5.53%</u>	<u>5.76%</u>		<u>\$ 24,365</u>	<u>\$ 56,102</u>
TOTAL DEBT	<u>7.24%</u>	<u>7.16%</u>		<u>\$504,159</u>	<u>\$484,404</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

The scheduled principal repayments and debt maturities are as follows:

	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total for Year</u>
2003	\$ 88,919	\$ 1,593	\$ 90,512
2004	57,210	84,848	142,058
2005	14,271	179	14,450
2006	46,749	102	46,851
2007	48,625	—	48,625
2008 and thereafter	<u>161,663</u>	<u>—</u>	<u>161,663</u>
TOTAL	<u>\$417,437</u>	<u>\$86,722</u>	<u>\$504,159</u>

Reconciliation of change in debt balances with net amounts reported on the statements of cash flows:

	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 2001	\$402,509	\$81,895	\$484,404
New debt placed	106,931	5,846	112,777
Lump sum repayments	(80,467)	—	(80,467)
Scheduled repayments	(11,387)	(1,572)	(12,959)
Acquisitions	—	495	495
Accrued interest	201	58	259
Foreign exchange adjustments	<u>(350)</u>	<u>—</u>	<u>(350)</u>
Debt as at December 31, 2002	<u>\$417,437</u>	<u>\$86,722</u>	<u>\$504,159</u>
Total change in debt balance	\$ 14,928	\$ 4,827	\$ 19,755
Less new debt related to acquisitions of revenue properties ..	—	(495)	(495)
Less new debt related to investments in revenue properties ..	(7,989)	—	(7,989)
Decrease (increase) in accrued interest and other non-cash adjustments	(192)	(58)	(250)
Add (less) foreign exchange adjustments	350	—	350
Add (less) marked-to-market adjustments	<u>333</u>	<u>—</u>	<u>333</u>
Change in debt per combined statements of cash flows	<u>\$ 7,430</u>	<u>\$ 4,274</u>	<u>\$ 11,704</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 2000	\$372,039	\$ 66,216	\$ 438,255
New debt placed	56,788	81,707	138,495
Lump sum repayments	(38,648)	(65,098)	(103,746)
Scheduled repayments	(9,736)	(879)	(10,615)
Acquisitions	19,449	—	19,449
Accrued interest	144	(51)	93
Foreign exchange adjustments	<u>2,473</u>	<u>—</u>	<u>2,473</u>
Debt as at December 31, 2001	<u>\$402,509</u>	<u>\$ 81,895</u>	<u>\$ 484,404</u>
Total change in debt balance	\$ 30,470	\$ 15,679	\$ 46,149
Less new debt related to acquisitions of revenue properties	(19,449)	—	(19,449)
Less new debt related to investments in revenue properties	(16,182)	—	(16,182)
Decrease (increase) in accrued interest	(144)	51	(93)
Add (less) foreign exchange adjustments	(2,473)	—	(2,473)
Add (less) marked-to-market adjustments	<u>1,163</u>	<u>—</u>	<u>1,163</u>
Change in debt per combined statements of cash flows	<u>\$ (6,615)</u>	<u>\$ 15,730</u>	<u>\$ 9,115</u>

	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 1999	\$373,456	\$70,324	\$443,780
New debt placed	21,097	—	21,097
Lump sum repayments	(7,901)	—	(7,901)
Scheduled repayments	(15,820)	(4,123)	(19,943)
Accrued interest	(341)	15	(326)
Foreign exchange adjustments	<u>1,548</u>	<u>—</u>	<u>1,548</u>
Debt as at December 31, 2000	<u>\$372,039</u>	<u>\$66,216</u>	<u>\$438,255</u>
Total change in debt balance	\$ (1,417)	\$ (4,108)	\$ (5,525)
Less new debt related to investments in revenue properties ..	(1,772)	—	(1,772)
Decrease (increase) in accrued interest and other non-cash adjustments	496	(15)	481
Add (less) foreign exchange adjustments	(1,548)	—	(1,548)
Add (less) marked-to-market adjustments	<u>1,424</u>	<u>962</u>	<u>2,386</u>
Change in debt per combined statements of cash flows	<u>\$ (2,817)</u>	<u>\$ (3,161)</u>	<u>\$ (5,978)</u>

The estimated fair value of the debt is as follows:

	<u>2002</u>	<u>2001</u>
Mortgages	\$433,521	\$411,509
Term debt	<u>88,816</u>	<u>84,004</u>
TOTAL	<u>\$522,337</u>	<u>\$495,513</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

7. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2002</u>	<u>2001</u>
Trade payables	\$ 2,959	\$ 4,812
Accrued liabilities and other payables	6,605	10,132
Deposits	3,396	3,330
Deferred revenue	<u>1,660</u>	<u>1,240</u>
TOTAL	<u>\$14,620</u>	<u>\$19,514</u>

Total U.S. dollar denominated amounts payable and accrued liabilities are US\$606 (2001 — US\$337).

8. CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT

The cumulative foreign currency translation adjustment at December 31, 2002 was \$1,906 (2001 — \$2,278).

9. JOINT VENTURES AND CO-OWNERSHIPS

The Division participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships (the “joint ventures”) with other parties and accounts for its interests using the proportionate consolidation method.

The following amounts represent the total assets and liabilities of the joint ventures in which the Division participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein.

	<u>Total</u>		<u>Proportionate Share</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Assets	\$206,733	\$217,441	\$114,771	\$125,820
Liabilities	106,447	97,989	57,750	53,842
			<u>Proportionate Share</u>	
			<u>2002</u>	<u>2001</u>
Revenues		\$ 23,126	\$ 17,686	\$17,353
Expenses		<u>17,499</u>	<u>12,197</u>	<u>11,629</u>
		<u>\$ 5,627</u>	<u>\$ 5,489</u>	<u>\$ 5,724</u>
Cash flow generated from (utilized in):				
Operating activities		\$ 8,449	\$ 3,012	\$ 5,589
Financing activities		(5,972)	1,517	3,883
Investing activities		<u>(1,301)</u>	<u>(5,323)</u>	<u>(8,704)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>\$ 1,176</u>	<u>\$ (794)</u>	<u>\$ 768</u>

The Division is contingently liable for the obligations of the other owners of the unincorporated joint ventures in the aggregate amount of \$42,123. In each case, however, the co-owner’s share of assets is available to satisfy these obligations.

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

10. INTEREST

Interest incurred, capitalized and charged to earnings is recorded as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Interest expense incurred, at stated rate of debt	\$35,339	\$34,632	\$33,970
Amortization of deferred financing costs	772	496	267
Marked-to-market adjustment to rate	(333)	(1,163)	(2,386)
Interest capitalized	<u>(176)</u>	<u>(1,283)</u>	<u>(642)</u>
INTEREST EXPENSE	<u>\$35,602</u>	<u>\$32,682</u>	<u>\$31,209</u>

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition (“marked-to-market”). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Interest capitalized includes interest on general and specific debt on revenue properties under development.

Cash interest paid in the year is \$35,080 (2001 — \$34,539, 2000 — \$34,295).

11. DEPRECIATION AND AMORTIZATION

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Depreciation of revenue properties	\$ 7,466	\$ 6,291	\$6,018
Depreciation of revenue properties deferred leasing costs	4,701	3,539	2,247
Depreciation of other assets and equipment	<u>845</u>	<u>815</u>	<u>897</u>
TOTAL	<u>\$13,012</u>	<u>\$10,645</u>	<u>\$9,162</u>

12. INCOME AND LARGE CORPORATIONS TAXES

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income tax provision based on Canadian statutory tax rate of 38.3% (2001 — 41.1%, 2000 — 42.9%)	\$ 7,764	\$ 9,008	\$ 9,295
Increase (decrease) in provision resulting from:			
Large corporations and corporate minimum taxes	2,104	1,802	1,854
Benefit from decrease in expected future income tax rates ...	(2,567)	(3,766)	(13,282)
Other items	<u>87</u>	<u>296</u>	<u>53</u>
TOTAL INCOME TAX PROVISION	<u>\$ 7,388</u>	<u>\$ 7,340</u>	<u>\$ (2,080)</u>

The provision for current income and large corporations taxes is comprised of the following:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Current income taxes (recovery) related to operations	\$1,208	\$1,815	\$(1,090)
Large corporations and corporate minimum taxes	<u>2,104</u>	<u>1,802</u>	<u>1,854</u>
	<u>\$3,312</u>	<u>\$3,617</u>	<u>\$ 764</u>

No cash taxes were paid or received by the Division because the payment is the obligation of, and the receipt is the right of, legal entities not included in the Division. During the years presented, Dundee Realty Corporation did not pay any current income taxes because of the availability of tax losses and deductions not

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

related to, and therefore not allocated to, the Division, nor were any current income taxes received as a result of the utilization of losses generated by the Division against taxable income not attributable to the Division.

The future income tax liability of \$59,838 (2001 — \$55,773) is comprised of amounts resulting entirely from the differences in tax and book values relating to the revenue property assets.

13. SEGMENTED INFORMATION

The Division's reportable operating segments are composed of three different types of revenue properties and the property management operations.

The Division's revenue properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each. This segmentation is consistent with the method used by Dundee Realty Corporation in its consolidated financial statements.

Management fees and related expenses for all properties managed on behalf of third parties are combined with acquisition and disposition transaction fees and related expenses, and are reported under the property management segment.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Division does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes and general and administrative expenses are not allocated to the segment expenses. All inter-segment sales have been eliminated from the combined financial statements and the following tables.

A. By Activity

<u>For the Year Ended December 31, 2002</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Property Management</u>	<u>Total</u>
OPERATIONS					
Revenue	\$ 83,878	\$ 38,566	\$ 24,238	\$ 853	\$147,535
Operating expenses	(44,928)	(15,226)	(13,033)	(421)	(73,608)
Depreciation and amortization . .	<u>(6,252)</u>	<u>(3,661)</u>	<u>(2,254)</u>	<u>—</u>	<u>(12,167)</u>
SEGMENT INCOME	<u>\$ 32,698</u>	<u>\$ 19,679</u>	<u>\$ 8,951</u>	<u>\$ 432</u>	<u>\$ 61,760</u>
SEGMENT ASSETS	<u>\$424,508</u>	<u>\$258,467</u>	<u>\$157,780</u>	<u>\$ —</u>	<u>\$840,755</u>
CAPITAL EXPENDITURES					
Investment in revenue properties	\$ (2,679)	\$ (1,918)	\$ (1,843)	\$ —	\$ (6,440)
Acquisition of revenue properties	(24)	(191)	(205)	—	(420)
Deferred leasing costs	<u>(3,326)</u>	<u>(1,814)</u>	<u>(5,221)</u>	<u>—</u>	<u>(10,361)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$ (6,029)</u>	<u>\$ (3,923)</u>	<u>\$ (7,269)</u>	<u>\$ —</u>	<u>\$(17,221)</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

<u>For the Year Ended December 31, 2001</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Property Management</u>	<u>Total</u>
OPERATIONS					
Revenue.....	\$ 72,250	\$ 37,705	\$ 25,699	\$ 1,910	\$137,564
Operating expenses.....	(38,974)	(14,789)	(11,849)	(187)	(65,799)
Depreciation and amortization ..	<u>(5,063)</u>	<u>(3,031)</u>	<u>(1,736)</u>	<u>—</u>	<u>(9,830)</u>
SEGMENT INCOME	<u>\$ 28,213</u>	<u>\$ 19,885</u>	<u>\$ 12,114</u>	<u>\$ 1,723</u>	<u>\$ 61,935</u>
SEGMENT ASSETS	<u>\$422,306</u>	<u>\$256,432</u>	<u>\$153,224</u>	<u>\$ —</u>	<u>\$831,962</u>
CAPITAL EXPENDITURES					
Investment in revenue properties	\$ (5,408)	\$ (2,937)	\$ (1,961)	\$ —	\$(10,306)
Acquisition of revenue properties	(6,793)	(4)	—	—	(6,797)
Deferred leasing costs	<u>(3,878)</u>	<u>(1,852)</u>	<u>(643)</u>	<u>—</u>	<u>(6,373)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$(16,079)</u>	<u>\$ (4,793)</u>	<u>\$ (2,604)</u>	<u>\$ —</u>	<u>\$(23,476)</u>
<u>For the Year Ended December 31, 2000</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Property Management</u>	<u>Total</u>
OPERATIONS					
Revenue.....	\$ 65,217	\$ 36,730	\$ 24,234	\$ 1,751	\$127,932
Operating expenses.....	(35,404)	(14,289)	(10,997)	(489)	(61,179)
Depreciation and amortization ..	<u>(4,226)</u>	<u>(2,510)</u>	<u>(1,529)</u>	<u>—</u>	<u>(8,265)</u>
SEGMENT INCOME	<u>\$ 25,587</u>	<u>\$ 19,931</u>	<u>\$ 11,708</u>	<u>\$ 1,262</u>	<u>\$ 58,488</u>
CAPITAL EXPENDITURES					
Investment in revenue properties	\$ (8,942)	\$ (192)	\$ (574)	\$ —	\$ (9,708)
Acquisition of revenue properties	(43)	(1,562)	(2)	—	(1,607)
Deferred leasing costs	<u>(3,859)</u>	<u>(1,727)</u>	<u>(602)</u>	<u>—</u>	<u>(6,188)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$(12,844)</u>	<u>\$ (3,481)</u>	<u>\$ (1,178)</u>	<u>\$ —</u>	<u>\$(17,503)</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

B. By Country

<u>For the Year Ended December 31, 2002</u>	<u>Canada</u>	<u>U.S.</u>	<u>Total</u>
OPERATIONS			
Revenue	\$135,364	\$12,171	\$147,535
Operating expenses	(67,385)	(6,223)	(73,608)
Depreciation and amortization.....	<u>(11,195)</u>	<u>(972)</u>	<u>(12,167)</u>
SEGMENT INCOME	<u>\$ 56,784</u>	<u>\$ 4,976</u>	<u>\$ 61,760</u>
SEGMENT ASSETS	<u>\$768,777</u>	<u>\$71,978</u>	<u>\$840,755</u>
CAPITAL EXPENDITURES			
Investment in revenue properties	\$ (5,963)	\$ (477)	\$ (6,440)
Acquisition of revenue properties	(420)	—	(420)
Deferred leasing costs	<u>(9,827)</u>	<u>(534)</u>	<u>(10,361)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$(16,210)</u>	<u>\$(1,011)</u>	<u>\$(17,221)</u>
<u>For the Year Ended December 31, 2001</u>	<u>Canada</u>	<u>U.S.</u>	<u>Total</u>
OPERATIONS			
Revenue	\$126,122	\$11,442	\$137,564
Operating expenses	(60,216)	(5,583)	(65,799)
Depreciation and amortization.....	<u>(9,093)</u>	<u>(737)</u>	<u>(9,830)</u>
SEGMENT INCOME	<u>\$ 56,813</u>	<u>\$ 5,122</u>	<u>\$ 61,935</u>
SEGMENT ASSETS	<u>\$759,457</u>	<u>\$72,505</u>	<u>\$831,962</u>
CAPITAL EXPENDITURES			
Investment in revenue properties	\$ (8,835)	\$(1,471)	\$(10,306)
Acquisition of revenue properties	(6,797)	—	(6,797)
Deferred leasing costs	<u>(6,295)</u>	<u>(78)</u>	<u>(6,373)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$(21,927)</u>	<u>\$(1,549)</u>	<u>\$(23,476)</u>
<u>For the Year Ended December 31, 2000</u>	<u>Canada</u>	<u>U.S.</u>	<u>Total</u>
OPERATIONS			
Revenue	\$117,195	\$10,737	\$127,932
Operating expenses	(56,506)	(4,673)	(61,179)
Depreciation and amortization.....	<u>(7,685)</u>	<u>(580)</u>	<u>(8,265)</u>
SEGMENT INCOME	<u>\$ 53,004</u>	<u>\$ 5,484</u>	<u>\$ 58,488</u>
CAPITAL EXPENDITURES			
Investment in revenue properties	\$ (9,240)	\$ (468)	\$ (9,708)
Acquisition of revenue property.....	(1,607)	—	(1,607)
Deferred leasing costs	<u>(6,061)</u>	<u>(127)</u>	<u>(6,188)</u>
TOTAL CAPITAL EXPENDITURES	<u>\$(16,908)</u>	<u>\$(595)</u>	<u>\$(17,503)</u>

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

Reconciliations of segmented operating results and assets with combined net income and assets are as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
REVENUE			
From operating segments	\$147,535	\$137,564	\$127,932
Interest and other income	<u>571</u>	<u>190</u>	<u>518</u>
TOTAL REVENUE	<u>\$148,106</u>	<u>\$137,754</u>	<u>\$128,450</u>
	<u>2002</u>	<u>2001</u>	<u>2000</u>
NET INCOME			
From operating segments	\$ 61,760	\$ 61,935	\$ 58,488
Interest and other income	571	190	518
Interest	(35,602)	(32,682)	(31,209)
Depreciation and amortization of other assets and equipment	(845)	(815)	(897)
General and administrative	(5,613)	(6,710)	(5,234)
Income and large corporations taxes	<u>(7,388)</u>	<u>(7,340)</u>	<u>2,080</u>
NET INCOME	<u>\$ 12,883</u>	<u>\$ 14,578</u>	<u>\$ 23,746</u>
	<u>2002</u>	<u>2001</u>	
ASSETS			
Segment assets	\$840,755	\$831,962	
Amounts receivable and other assets	22,812	22,304	
Cash and short-term deposits	<u>5,644</u>	<u>4,599</u>	
TOTAL ASSETS	<u>\$869,211</u>	<u>\$858,865</u>	

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For certain of the Division's financial instruments, including cash and short-term deposits, amounts receivable, amounts payable and accrued liabilities, carrying amounts approximate fair values due to their immediate or short-term maturity.

The fair value of debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates that represent management's best estimate of borrowing rates presently available to the Division for loans with similar terms and maturities. Specific fair values are disclosed in the related notes.

The Division has exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt amounts to 4.83% (2001 — 11.58%, 2000 — 6.96%) of the Division's total debt. In order to manage exposure to interest rate risk, the Division endeavours to maintain an appropriate mix of fixed and floating rate debt, stagger maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The Division is exposed to foreign exchange risk as it relates to its self-sustaining U.S. operations due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction or an increase in net income. The impact of foreign exchange fluctuations is deferred as a

**NOTES TO THE COMBINED COMMERCIAL REAL ESTATE DIVISION
FINANCIAL STATEMENTS — (Continued)**

separate component of Divisional equity until an investment has been liquidated. The Division mitigates this risk by matching foreign denominated debt with foreign assets.

The Division's assets consist of office, industrial and retail revenue properties. Credit risk arises from the possibility that tenants in revenue properties may not fulfill their lease or contractual obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Division. The Division mitigates its credit risks by attracting tenants of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

15. RELATED-PARTY TRANSACTIONS

From time to time the Division enters into transactions with related parties. All transactions are conducted under normal commercial terms and are not significant to these financial statements.

16. COMMITMENTS AND CONTINGENCIES

The Division and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the combined financial statements of the Division.

The Division's estimated cost to complete revenue properties which were previously categorized as under development is \$1,277 which will be financed by cash flows from operating activities.

The Division's annual commitments under operating and capital leases are as follows:

	<u>Operating Lease Payments</u>	<u>Capital Lease Payments</u>
2003	\$ 712	\$261
2004	699	209
2005	690	196
2006	668	105
2007	673	—
2008 and thereafter	<u>2,645</u>	<u>—</u>
TOTAL	<u><u>\$6,087</u></u>	<u><u>\$771</u></u>

The Division's annual commitments under ground leases are as follows:

	<u>Ground Lease Payments</u>
2003	\$ 979
2004	979
2005	1,049
2006	1,109
2007	1,080
2008 and thereafter	<u>2,700</u>
TOTAL	<u><u>\$7,896</u></u>

The Division has three properties that have ground leases. The terms of these leases extend to 2083, 2076 and 2060 including renewals and are at fixed rates for the entire term of the first lease, until September 30, 2006 for the second lease and until June 30, 2010 for the third. The renewal terms for the second and third leases beyond these dates are defined as variable percentages of the market value of these properties at the date of the renewal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discusses the financial condition and results of operations and changes thereto of the historical property information relating to the Commercial Real Estate Division of Dundee Realty Corporation (the "Division") as defined in Note 1 of the audited combined financial statements of the Division for the years ended December 31, 2002, 2001 and 2000 and should be read in conjunction with the audited combined financial statements of the Division provided elsewhere in this Information Circular. The Division is not a legal entity and is used only as a method of presenting the historical information relating to these properties.

All amounts in the following discussion are presented in thousands of dollars with the exception of square footage.

This Management's Discussion and Analysis contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties, which may cause actual performance and results to differ materially from the performance implied in such forward-looking statements. The Division has identified certain factors, which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, general and local economic and business conditions, the financial condition of tenants; the Division's ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions.

PERFORMANCE MEASUREMENT

Management of Dundee Realty Corporation believes that important measures of the Division's operating performance include funds from operations ("FFO") and, to a lesser degree, earnings before interest, taxes, depreciation and amortization ("EBITDA") and return on equity. FFO is defined as net income (calculated in accordance with Canadian Generally Accepted Accounting Principles ("GAAP")) plus amortization and depreciation, plus future income taxes and excluding gains or losses from the sale and diminution in value of assets. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations. It does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund the Division's needs and should not be considered the only measure of liquidity. In addition, certain other companies may use alternate definitions of EBITDA and FFO.

EBITDA is relevant to an understanding of the economics of the real estate business as it is a measure of the funds available from operations to service debt and satisfy certain fixed obligations. EBITDA should not be construed as an alternative to net income or FFO, as an indicator of the Division's performance, or to cash flow from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Net operating income ("NOI") is the total of operating revenues less operating expenses.

The following table outlines our performance as measured by these key indicators:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue properties:			
Office	\$38,950	\$33,276	\$29,813
Industrial	23,340	22,916	22,441
Retail	<u>11,205</u>	<u>13,850</u>	<u>13,237</u>
Total revenue properties	73,495	70,042	65,491
Property management	432	1,723	1,262
Interest and other income	<u>571</u>	<u>190</u>	<u>518</u>
Net operating income	74,498	71,955	67,271
General and administrative expenses	<u>5,613</u>	<u>6,710</u>	<u>5,234</u>
EBITDA	68,885	65,245	62,037
Interest expense	35,602	32,682	31,209
Current income and large corporations taxes	<u>3,312</u>	<u>3,617</u>	<u>764</u>
FUNDS FROM OPERATIONS	<u>29,971</u>	<u>28,946</u>	<u>30,064</u>
Depreciation and amortization	13,012	10,645	9,162
Future income taxes	<u>4,076</u>	<u>3,723</u>	<u>(2,844)</u>
	<u>17,088</u>	<u>14,368</u>	<u>6,318</u>
NET INCOME	<u>\$12,883</u>	<u>\$14,578</u>	<u>\$23,746</u>

In 2002, NOI increased \$2,543 or 3.5% largely driven by a 4.9% increase in revenue property NOI. The respective 17.1% and 1.9% improvements from the office and industrial portfolios were offset by a 19.1% decrease in the retail portfolio. Property management NOI decreased 74.9%, offset by an increase in interest and other income. EBITDA grew 5.6% largely as a result of the improvement in NOI and a 16.3% decrease in general and administrative expenses. Funds from operations increased by 3.5% due to the improvement in NOI and lower general and administrative expenses, offset by an 8.9% increase in interest expense.

Year-over-year net income decreased by \$1,695 or 11.6% as a result of a \$2,367 or 22.2% increase in depreciation and amortization and a \$353 or 9.5% increase in future income tax.

In 2001, NOI increased 7.0%, largely due to an 11.6% improvement from the office portfolio tempered by smaller increases of 2.1% and 4.6% in the industrial and retail portfolios respectively. EBITDA grew 5.2%, largely as a result of the improvement in NOI, which was offset by a 28.2% increase in general and administrative expenses. Funds from operations decreased 3.7%, largely as a result of a \$2,853 or 373.4% increase in current income taxes, and a \$1,473 or 4.7% increase in interest expense.

Year-over-year net income decreased by 38.6% as a result of a \$6,567 increase in future income tax and a \$1,483 or 16.2% increase in depreciation and amortization.

RESULTS OF OPERATIONS

Revenue Properties

The following table shows the distribution of the revenue property net operating income by geographic region:

	2002	2001	2000	Growth			
				2002		2001	
				Amount	%	Amount	%
Québec	\$16,407	\$16,018	\$15,878	\$ 389	2	\$ 140	1
Ontario	31,474	28,211	22,863	3,263	12	5,348	23
Western Canada	19,666	19,954	20,686	(288)	(1)	(732)	(4)
Total Canada	67,547	64,183	59,427	3,364	5	4,756	8
United States	5,948	5,859	6,064	89	2	(205)	(3)
TOTAL	\$73,495	\$70,042	\$65,491	\$3,453	5	\$4,551	7

The following table shows the distribution of the revenue property net operating income by each revenue properties operating segment:

	2002	2001	2000	Growth			
				2002		2001	
				Amount	%	Amount	%
Office	\$38,950	\$33,276	\$29,813	\$5,674	17	\$3,463	12
Industrial	23,340	22,916	22,441	424	2	475	2
Retail	11,205	13,850	13,237	(2,645)	(19)	613	5
TOTAL	\$73,495	\$70,042	\$65,491	\$3,453	5	\$4,551	7

Total 2002 NOI from revenue properties increased 4.9% over 2001. The office segment showed the greatest improvement climbing \$5,674 or 17.1%. Most of this increase is attributable to full-year contributions from State Street Financial Centre, the Roslyn Building and our increased ownership interests in Centennial Centre (from 50% to 100% in Q4 2001) and Capitol Square (from 75% to 83.6% in Q3 2001) as well as \$1,746 in lease surrender payments recorded in 2002 compared to \$675 in 2001.

Total 2001 NOI from revenue properties increased 6.9% over 2000. Results from the office sector were up 11.6% and represented 76.1% of the growth in NOI. This increase was attributable to higher occupancy and rental rates in the Toronto office portfolio, the \$1,092 generated from the completion of the State Street Financial Centre in November 2001 and the acquisitions of the Roslyn Building in October 2001, 50% of the Centennial Centre in November 2001 and an additional 8.6% of Capitol Square. This increase was partially offset by the \$1,297 decrease in lease surrender income in 2001 which was mainly a result of a large lease surrender payment received in 2000 from a tenant at Station Tower in Vancouver.

The 2002 NOI from the industrial segment was up 1.9% over 2001 and 2.1% over 2000. Improved year-over-year results in Toronto and Québec were offset by a \$516 and a \$317 decrease in NOI in 2002 and 2001 respectively as a result of an Edmonton industrial building that was operational in 2000 and most of 2001, but under development from September 2001 and throughout 2002. The addition of the 10 Place du Commerce property in late 2001 is the key driver behind the 2002 improvement in Québec. The 2001 improvement in Québec was the result of rental rate uplifts, even though occupancy decreased by approximately 2%. Toronto's improvement is mainly a result of rental rate uplifts achieved on leasing activity in 2002 over 2001 and increased occupancy in 2001 over 2000.

In 2002, the retail segment NOI declined 19.1%. Lease surrender payments received in 2001 resulted in a year-over-year decrease of \$1,302 or 9.4%. The remainder of the decline was largely attributable to the impact of Wal-Mart leaving Northgate Mall. Zellers took occupancy of this space in Q3 2002 and results from this

mall are therefore projected to improve in 2003. NOI increased 4.6% in 2001 over 2000 as result of the lease surrender payments noted above, offset by higher vacancy and lower NOI at Greenbriar Mall.

Comparative NOI is calculated to compare the performance of properties that were operational for the entire comparative periods. Properties under development, lease surrender payments and property acquisitions in 2002, 2001 and 2000 are isolated for this purpose:

	2002	2001	2000	Growth			
				2002		2001	
				Amount	%	Amount	%
Office	\$30,599	\$31,043	\$27,800	\$ (444)	(1)	\$3,243	12
Industrial	23,396	22,351	21,624	1,045	5	727	3
Retail	11,271	12,510	13,173	(1,239)	(10)	(663)	(5)
Total comparative properties	65,266	65,904	62,597	(638)	(1)	3,307	5
Under development	(112)	404	721	(516)		(317)	
Developed and operating	4,042	542	—	3,500		542	
Acquisitions	3,019	566	—	2,453		566	
Other	(482)	591	78	(1,073)		513	
Lease surrenders	1,762	2,035	2,095	(273)		(60)	
TOTAL	\$73,495	\$70,042	\$65,491	\$ 3,453	5	\$4,551	7

NOI for the comparative revenue properties portfolio remained relatively unchanged in 2002. In 2001, NOI increased by 5.3%, mainly as a result of higher occupancy and rental rates in the office portfolio.

The 1.4% reduction in NOI from the comparative office portfolio in 2002 is largely a result of increased vacancies experienced in most regions. In 2001, NOI improved 11.7% as a result of increases in rental rates and occupancy.

In 2002, the comparative industrial portfolio NOI improved 4.7%. Higher rates on new leases and renewals resulted in 8.4%, 5.3% and 2.3% increases in the Toronto, Western Canada and Québec industrial portfolios respectively. Growth in average rental rates as a result of leasing activity fueled the NOI growth of 3.4% in the industrial sector in 2001 over 2000.

In 2002, the lower comparative results in the retail segment are due to the change in contribution from Northgate Mall. The 5.0% decline in 2001 resulted from lower average occupancy with the Toronto and U.S. regions experiencing most of the decline in NOI.

At December 31, 2002, the Division owned 11.1 million square feet of commercial revenue properties, a slight increase of 0.4% relative to 2001.

	Proportionate Gross Leasable Area (in square feet)				2001	2000
	2002					
	Office	Industrial	Retail	Total		
Québec	755,121	2,818,893	—	3,574,014	3,571,113	3,557,879
Ontario	2,211,437	1,333,109	216,967	3,761,513	3,758,718	3,613,107
Western Canada	648,712	1,925,431	373,618	2,947,761	2,914,481	2,785,643
Total Canada	3,615,270	6,077,433	590,585	10,283,288	10,244,312	9,956,629
United States	—	—	796,187	796,187	791,237	791,264
Total At December 31, 2002	<u>3,615,270</u>	<u>6,077,433</u>	<u>1,386,772</u>	<u>11,079,475</u>	<u>11,035,549</u>	<u>10,747,893</u>
Total At December 31, 2001	<u>3,601,394</u>	<u>6,056,223</u>	<u>1,377,932</u>	<u>11,035,549</u>		
Total At December 31, 2000	<u>3,324,816</u>	<u>6,037,369</u>	<u>1,385,708</u>	<u>10,747,893</u>		

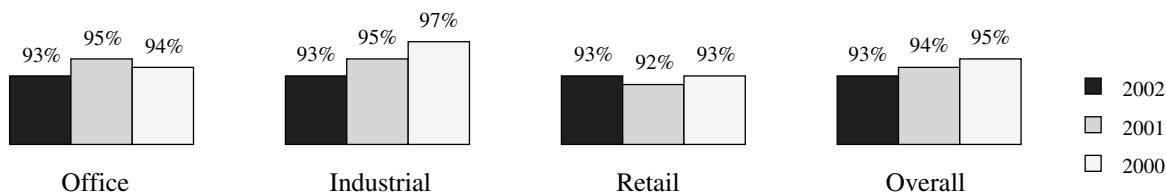
The lease maturity profile of the 10.9 million square feet of stabilized commercial revenue properties is as follows:

<u>(in square feet)</u>	<u>Current Vacancy</u>	<u>Monthly Tenancies</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007+</u>	<u>Total</u>
Office	250,331	63,444	496,597	479,937	468,115	399,480	1,457,366	3,615,270
Industrial	395,618	174,422	983,532	878,169	1,071,030	585,740	1,810,922	5,899,433
Retail	93,912	36,359	105,268	59,525	84,172	47,970	959,566	1,386,772
Total stabilized	<u>739,861</u>	<u>274,225</u>	<u>1,585,397</u>	<u>1,417,631</u>	<u>1,623,317</u>	<u>1,033,190</u>	<u>4,227,854</u>	<u>10,901,475</u>
Percentage	6.8%	2.5%	14.5%	13.0%	14.9%	9.5%	38.8%	100%
Non-stabilized								<u>178,000</u>
Total								<u>11,079,475</u>

Approximately 42.4% of our leases will be maturing during the next three years. When this is added to current vacancy and monthly tenancies, about 5.6 million square feet or 51.7% of the stabilized portfolio will be available for renewal or re-leasing prior to the end of 2005.

On a segmented basis, the percentage of occupied and committed space across our stabilized commercial revenue properties portfolio is as follows:

Percentage of Owned Gross Leaseable Area Occupied and Committed



The following table compares the current weighted average in-place contract rents to estimated current market rents for similar quality space in the respective region. The average market rent has been estimated through reference to recent leasing activity and leasing interest in our properties as well as that of comparable properties.

	<u>Average Remaining Lease Term (years)</u>			<u>Average In-place Contract Rent (per sq. ft.)</u>			<u>Estimated Current Market Rent (per sq. ft.)</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Office	4.4	4.7	4.1	\$12.20	\$11.87	\$10.77	\$14.07	\$14.26	\$13.85
Industrial	3.3	3.4	3.3	4.61	4.52	4.31	5.14	5.09	4.52
Retail	7.4	7.0	5.9	10.68	11.19	10.71	12.51	12.19	12.41
Overall	<u>4.2</u>	<u>4.3</u>	<u>3.9</u>	<u>\$ 7.89</u>	<u>\$ 7.79</u>	<u>\$ 7.01</u>	<u>\$ 9.04</u>	<u>\$ 9.02</u>	<u>\$ 8.25</u>

The rental rates in the asset classes and regions in which we operate have been steady over the past few years. The most significant growth in rates occurred in 2001 when the portfolio experienced a growth rate of 11% while the market rate grew by 9%.

In the view of management, market rates currently exceed our average-in-place contract rents by approximately 15% and we believe we will have an opportunity to capture uplifts in rents with renewals and new leasing. Therefore, while we anticipate that the current economic environment will result in a modest increase in overall portfolio vacancy in 2003, we are optimistic that our portfolio will still produce increased revenue property NOI.

Property Management

The Division has a 50% ownership interest in the property management operations of Dundee Realty Corporation (the "Property Manager"). Property management revenue consists of management fees, leasing and construction fees, and property development fees earned from third-party property owners. The costs

allocated to the management, leasing and commercial fee business consist of property management expenditures associated with all personnel and facilities involved in the provision of such services. The Property Manager charges market rate fees for management services provided to properties owned by the Division, which are charged as an operating expense to the individual properties of the Division. The Division's 50% share of the fee revenue is then deducted from the 50% share of property management costs of the Property Manager to arrive at the net costs associated with third-party management. The following table summarizes the NOI for the Division's share of the property management activities:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue	\$853	\$1,910	\$1,751
Costs	<u>421</u>	<u>187</u>	<u>489</u>
Total	<u>\$432</u>	<u>\$1,723</u>	<u>\$1,262</u>

In 2002, gross revenue from property management is down \$1,057 or 55.3%. Construction and leasing fees decreased by \$878 and \$278 respectively (largely resulting from the completion of the State Street Financial Centre in 2001) but management fees increased by \$180. The increase in expenses in 2002 reflects the impact of the reduced fees from the owned properties.

In 2001, gross revenue from property management increased by 9.1% largely due to higher construction fees and a 61.8% decline in costs resulting from higher internal construction and leasing activity.

Interest Expense

Interest expense increased \$2,920 or 8.9% in 2002. Higher average debt levels and lower capitalized interest as a result of State Street Financial Centre coming on stream in November 2001 resulted in \$1,931 of additional interest expense. The previously discussed acquisitions of the Roslyn Building and the increased ownership interest in Centennial Centre also added a \$995 increase in interest expense, and the completion of amortization of the marked-to-market adjustments for certain assets in 2001 resulted in an \$830 increase. These increases were offset by lower interest rates achieved on refinancings and floating rate debt.

In 2001, interest expense increased by \$1,473 or 4.7% due to the completion of amortization of the marked-to-market adjustments for certain assets in 2000 totaling \$1,223, and higher capitalized interest totaling \$641 relating primarily to the State Street Financial Centre development. These increases were offset by lower interest rates on floating rate debt and lower interest rates achieved on the refinancing of the GE term debt and other new financings in 2001.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Cash interest	\$35,080	\$34,539	\$34,295
Marked-to-market adjustments	(333)	(1,163)	(2,386)
Amortization of deferred financing costs	772	496	267
Capitalized interest	(176)	(1,283)	(642)
Accrued interest	<u>259</u>	<u>93</u>	<u>(325)</u>
Interest expense	<u>\$35,602</u>	<u>\$32,682</u>	<u>\$31,209</u>

Most of the interest capitalized to revenue properties in 2001 and 2000 related to the redevelopment of the State Street Financial Centre, which was completed in 2001.

Depreciation and Amortization

In 2002, depreciation and amortization increased by \$2,367 or 22.2%. Amortization of deferred leasing costs accounts for \$1,162 of this amount, which includes \$976 from significant leasing activity over the last two years and \$186 due to accelerated amortization resulting from lease surrender payments. Building improvements, equipment purchases and leasehold improvements are amortized on a straight-line basis and account for \$868 or 36.7% of the total increase in depreciation and amortization. Base building costs are amortized on

the sinking fund basis, which results in a 5% increase each year, accounting for the remaining \$337 of the increase.

In 2001, depreciation and amortization increased by \$1,483 or 16.2%. Amortization of deferred leasing costs accounted for \$1,292 of this amount, which included \$1,215 from significant leasing activity over the previous two years and \$77 due to accelerated amortization resulting from lease surrender payments. Building improvements, equipment purchases and leasehold improvements are amortized on a straight-line basis, and account for a \$109 decrease in depreciation and amortization. Base building costs are amortized on the sinking fund basis, which results in a 5% increase each year, accounting for the remaining \$300 of the increase.

General and Administrative

In 2002, general and administrative costs were down \$1,097 or 16.3%. Salaries and benefits declined \$144 due to lower staffing levels and bonus payments. Professional and consulting fees declined \$1,068 due to significant one-time expenses in 2001 and the negotiation of lower rates in 2002.

In 2001, general and administrative costs increased \$1,476 or 28.2% due to higher bonus payments and higher one-time professional and consulting costs.

Income and Large Corporations Tax

In 2002, income and large corporation taxes are \$7,388 or 36.4% of pre-tax income, an increase of 0.7% over income and large corporation taxes in 2001 (\$7,340 or 33.5% of pre-tax income). The increase in 2002 is primarily due to the benefit of decreases in future income tax rates substantially enacted in 2002 totalling \$2,567, compared to the higher benefit of such decreases in the amount of \$3,766 recognized in 2001.

In 2001, income and large corporations taxes increased \$9,420 even though there was little change in pre-tax income. The increase in 2001 is primarily due to the benefit of the \$3,766 decrease in future income tax rates substantially enacted in 2001 compared to the significantly higher benefit in the amount of \$13,282 recognized in 2000.

FINANCIAL CONDITION

Revenue Properties

The book value of segmented revenue properties is geographically dispersed as follows:

	2002					2001	
	Office	Industrial	Retail	Total	%	Total	%
Québec	\$ 53,710	\$104,526	\$ 1,669	\$159,905	19	\$160,783	19
Ontario	269,870	54,952	14,624	339,446	40	336,465	40
Western Canada	100,928	98,989	69,509	269,426	32	262,209	32
Total Canada	424,508	258,467	85,802	768,777	91	759,457	91
United States	—	—	71,978	71,978	9	72,505	9
Total At December 31, 2002 . . .	<u>\$424,508</u>	<u>\$258,467</u>	<u>\$157,780</u>	<u>\$840,755</u>	<u>100</u>	<u>\$831,962</u>	<u>100</u>
Percentage	50%	31%	19%	100%			
Total At December 31, 2001 . . .	<u>\$422,306</u>	<u>\$256,432</u>	<u>\$153,224</u>	<u>\$831,962</u>			
Percentage	51%	31%	18%	100%			

**Geographic Distribution of Revenue Properties
by Book Value**



The geographic distribution of our asset base remains unchanged relative to prior years. The \$8,793 increase in book value is due to the \$25,705 in cash investments in revenue properties described below, offset by the reversal of \$2,543 in accruals in 2002, primarily relating to State Street Financial Centre, and by depreciation and amortization recorded in 2002.

Net Investment in Revenue Properties Before Financing

The following table illustrates our net property investment activities before financing:

<u>2002</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>
Revenue properties under development	\$ 9,064	\$ —	\$ —	\$ 9,064
Building improvements	<u>1,604</u>	<u>1,918</u>	<u>1,843</u>	<u>5,365</u>
	10,668	1,918	1,843	14,429
Acquisitions	24	686	205	915
Deferred leasing costs	<u>3,326</u>	<u>1,814</u>	<u>5,221</u>	<u>10,361</u>
Total	<u>\$14,018</u>	<u>\$4,418</u>	<u>\$7,269</u>	<u>\$25,705</u>
<u>2001</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>
Revenue properties under development	\$16,352	\$1,181	\$ —	\$17,533
Building improvements	<u>5,239</u>	<u>1,757</u>	<u>1,959</u>	<u>8,955</u>
	21,591	2,938	1,959	26,488
Acquisitions	26,242	4	—	26,246
Deferred leasing costs	<u>3,878</u>	<u>1,852</u>	<u>643</u>	<u>6,373</u>
Total	<u>\$51,711</u>	<u>\$4,794</u>	<u>\$2,602</u>	<u>\$59,107</u>
<u>2000</u>	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>
Revenue properties under development	\$10,198	\$ —	\$ 2	\$10,200
Building improvements	<u>518</u>	<u>189</u>	<u>573</u>	<u>1,280</u>
	10,716	189	575	11,480
Acquisitions	43	1,562	2	1,607
Deferred leasing costs	<u>3,859</u>	<u>1,727</u>	<u>602</u>	<u>6,188</u>
Total	<u>\$14,618</u>	<u>\$3,478</u>	<u>\$1,179</u>	<u>\$19,275</u>

The investment in office revenue properties under development in 2002, 2001 and 2000 represents the costs to complete the State Street Financial Centre.

Capital expenditures for building improvements and equipment were \$5,365 (2001 — \$8,955, 2000 — \$1,280). These expenditures include both recurring items as well as one-time projects.

	<u>2002</u>		
	<u>Total Investment</u>	<u>Non-cash Adjustment</u>	<u>Net Cash</u>
Recurring	\$2,599	\$ (42)	\$2,557
Non-recurring	<u>3,922</u>	<u>(1,114)</u>	<u>2,808</u>
Total	<u>\$6,521</u>	<u>\$(1,156)</u>	<u>\$5,365</u>
	<u>2001</u>		
	<u>Total Investment</u>	<u>Non-cash Adjustment</u>	<u>Net Cash</u>
Recurring	\$3,082	\$ 325	\$3,407
Non-recurring	<u>5,548</u>	<u>—</u>	<u>5,548</u>
Total	<u>\$8,630</u>	<u>\$ 325</u>	<u>\$8,955</u>
	<u>2000</u>		
	<u>Total Investment</u>	<u>Non-cash Adjustment</u>	<u>Net Cash</u>
Recurring	\$1,110	\$ (114)	\$ 996
Non-recurring	<u>802</u>	<u>(518)</u>	<u>284</u>
Total	<u>\$1,912</u>	<u>\$(632)</u>	<u>\$1,280</u>

Non-recurring expenditures in 2002 include \$2,429 (2001 — \$870) to reconfigure an industrial building in Edmonton and \$1,252 to construct a new entranceway at Northgate Mall. Also included is the preliminary cost of a major exterior renovation for a Toronto office property that is estimated to cost \$1,000 and is scheduled for completion in 2004. Non-recurring expenditures in 2001 included \$4,678 for the conversion of theatre space into office space, which was fully leased upon completion.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, were completed in each of the years 2000, 2001 and 2002. Such expenses are of a recurring nature, as a portion of the portfolio will be undergoing such improvements at any given time. We anticipate the cost of these building improvements to be approximately \$4,500 in 2003.

In 2002, \$10,361 (2001 — \$6,373, 2000 — \$6,188) was expended on inducements to attract or retain tenants. Included in this amount is \$4,346 incurred in respect of a major tenancy at Northgate Mall. The amount of inducements varies from year to year depending on the maturity and termination of leases, existing vacancies and market requirements. The requisite capital for tenant inducements will be provided by funds from operations.

Debt

Outstanding debt at year-end is as follows:

	<u>2002</u>			<u>2001</u>		
	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>
Mortgages payable	\$417,437	\$ —	\$417,437	\$371,789	\$30,720	\$402,509
Term debt	<u>62,357</u>	<u>24,365</u>	<u>86,722</u>	<u>56,513</u>	<u>25,382</u>	<u>81,895</u>
Total	<u>\$479,794</u>	<u>\$24,365</u>	<u>\$504,159</u>	<u>\$428,302</u>	<u>\$56,102</u>	<u>\$484,404</u>
Percentage	95%	5%	100%	88%	12%	100%

The changes in debt levels are a result of the following items:

	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 2001	\$402,509	\$81,895	\$484,404
New debt placed	106,931	5,846	112,777
Lump sum repayments	(80,467)	—	(80,467)
Scheduled repayments	(11,387)	(1,572)	(12,959)
Acquisitions	—	495	495
Accrued interest	201	58	259
Foreign exchange adjustments	(350)	—	(350)
Debt as at December 31, 2002	<u>\$417,437</u>	<u>\$86,722</u>	<u>\$504,159</u>
	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 2000	\$372,039	\$66,216	\$438,255
New debt placed	56,788	81,707	138,495
Lump sum repayments	(38,648)	(65,098)	(103,746)
Scheduled repayments	(9,736)	(879)	(10,615)
Acquisitions	19,449	—	19,449
Accrued interest	144	(51)	93
Foreign exchange adjustments	2,473	—	2,473
Debt as at December 31, 2001	<u>\$402,509</u>	<u>\$81,895</u>	<u>\$484,404</u>
	<u>Mortgages Payable</u>	<u>Term Debt</u>	<u>Total</u>
Debt as at December 31, 1999	\$373,456	\$70,324	\$443,780
New debt placed	21,097	—	21,097
Lump sum repayments	(7,901)	—	(7,901)
Scheduled repayments	(15,820)	(4,123)	(19,943)
Accrued interest	(341)	15	(326)
Foreign exchange adjustments	1,548	—	1,548
Debt as at December 31, 2000	<u>\$372,039</u>	<u>\$66,216</u>	<u>\$438,255</u>

In the first quarter of 2002, the Division completed the refinancing of a portfolio of eleven industrial buildings, located primarily in Montréal, which accounted for \$38,000 of the new debt placed and \$26,404 of the lump sum repayments. This refinancing replaced loans with a historic face rate of 8.75% and a marked-to-market rate of 7.00% with new ten-year mortgages at a face rate of 7.55%, and provided us with an additional \$11,596 of leverage. In the second quarter, the Division extended a \$21,387 mortgage maturing in 2002 for an additional year and reduced the interest rate to 5.74% from 8.08%. In the third quarter, the Division negotiated an eleven-year mortgage for \$33,750 at a rate of 7.15% and repaid \$30,412 of interim construction financing for the State Street Financial Centre. The Division also negotiated a \$2,000 five-year mortgage for an industrial building in Toronto at a rate of 6.14%, refinanced a Western Canada industrial building with an existing \$2,262 loan at an interest rate of 7.25% with a new \$3,000 five-year loan at an interest rate of 6.96%. In addition, the Division extended an \$8,045 loan on the theatre at Greenbriar for another year, now expiring in August 2003.

The proportion of variable interest rate debt to total debt decreased significantly to 4.8% (2001 — 11.6%). We maintain our strategy of fixing as high a proportion of our debt as possible to protect against interest rate volatility.

Our weighted average year-end interest rate is 7.24% (2001 — 7.16%) and the weighted average term to maturity is 49.7 months (2001 — 45.1 months). Without the marked-to-market adjustment, the weighted average interest rate dropped to 7.33% from 7.37%. The weighted average interest rate for the variable rate debt is 5.53% (2001 — 5.76%) and for the fixed rate debt is 7.33% (2001 — 7.34%). As of December 31, 2002, a 1% increase in interest rates would result in a \$258 increase in interest expense and cash interest paid.

The debt maturity and scheduled principal repayments of mortgages payable and term debt in future years are as follows:

	Debt Maturities		Scheduled	Total
	Amount	%	Principal Repayments on Non-matured Debt	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	
2003	\$ 75,369	17	\$15,143	\$ 90,512
2004	131,353	30	10,705	142,058
2005	4,387	1	10,063	14,450
2006	37,268	9	9,584	46,852
2007	41,251	10	7,373	48,624
2008 and thereafter	<u>140,922</u>	<u>33</u>	<u>20,741</u>	<u>161,663</u>
Total	<u>\$430,550</u>	<u>100</u>	<u>\$73,609</u>	<u>\$504,159</u>

**DUNDEE REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENT**

AUDITORS' REPORT

**TO THE TRUSTEE OF
DUNDEE REAL ESTATE INVESTMENT TRUST**

We have audited the balance sheet of Dundee Real Estate Investment Trust as at May 9, 2003. This financial statement is the responsibility of Dundee Real Estate Investment Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of Dundee Real Estate Investment Trust as at May 9, 2003 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario
May 23, 2003

DUNDEE REAL ESTATE INVESTMENT TRUST

BALANCE SHEET

As at May 9, 2003

CASH	<u>\$10</u>
UNITHOLDER'S EQUITY	<u>\$10</u>

See accompanying notes to the balance sheet

NOTES TO THE BALANCE SHEET OF DUNDEE REAL ESTATE INVESTMENT TRUST

1. THE TRUST

Dundee Real Estate Investment Trust (the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust dated as of May 9, 2003 under the laws of the Province of Ontario. The Trust was established on May 9, 2003 when one Initial REIT Unit was issued for \$10.

2. SUBSEQUENT EVENT

On May 23, 2003, Dundee Realty Corporation issued its Management Information Circular with respect to the proposed acquisition of Dundee Realty Corporation by Dundee Bancorp Inc. and the acquisition by the Trust of properties from Dundee Realty Corporation.

**DUNDEE REAL ESTATE INVESTMENT TRUST
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

COMPILATION REPORT

**TO THE DIRECTORS OF
DUNDEE REALTY CORPORATION
AND THE TRUSTEE OF
DUNDEE REAL ESTATE INVESTMENT TRUST**

We have reviewed, as to compilation only, the accompanying pro forma condensed consolidated balance sheet of Dundee Real Estate Investment Trust as at December 31, 2002 and the pro forma condensed consolidated statement of net income for the year then ended, which have been prepared for inclusion in the Management Information Circular of Dundee Realty Corporation dated May 23, 2003 relating to the proposed acquisition of properties by Dundee Real Estate Investment Trust. In our opinion, the pro forma condensed consolidated balance sheet and pro forma condensed consolidated statement of net income have been properly compiled to give effect to the transactions and the assumptions described in the notes thereto.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario
May 23, 2003

DUNDEE REAL ESTATE INVESTMENT TRUST
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)
As at December 31, 2002

	Dundee REIT (Note 1)	Commercial Real Estate Division (Note 1)	Pro Forma Adjustments (Note 4)			Total
			(a)	(b)	(c)	
(In thousands of dollars)						
ASSETS						
Revenue properties	\$—	\$840,755	\$ —	\$ —	\$ —	\$840,755
Amounts receivable and other assets . . .	—	22,812	—	—	—	22,812
Notes receivable	—	—	—	—	315	315
Cash and cash equivalents and restricted cash	—	5,644	(2,641)	—	—	3,003
	<u>\$—</u>	<u>\$869,211</u>	<u>\$(2,641)</u>	<u>\$ —</u>	<u>\$315</u>	<u>\$866,885</u>
LIABILITIES						
Debt	\$—	\$504,159	\$ —	\$ —	\$ —	\$504,159
Amounts payable and accrued liabilities	—	14,620	—	(35)	—	14,585
Future income tax liability	—	59,838	—	(53,438)	—	6,400
	—	578,617	—	(53,473)	—	525,144
UNITHOLDERS' EQUITY	—	290,594	(2,641)	53,473	315	341,741
	<u>\$—</u>	<u>\$869,211</u>	<u>\$(2,641)</u>	<u>\$ —</u>	<u>\$315</u>	<u>\$866,885</u>

DUNDEE REAL ESTATE INVESTMENT TRUST
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME
(Unaudited)
For the year ended December 31, 2002

	Dundee REIT (Note 1)	Commercial Real Estate Division (Note 1)	Pro Forma Adjustments (Note 5)				Total
			(a)	(b)	(c)	(d)	
(In thousands of dollars)							
REVENUE							
Revenue properties	\$—	\$146,682	\$3,893	\$(2,140)	\$ —	\$ —	\$148,435
Property management	—	853	—	—	13	—	866
Interest and other income.....	—	571	—	—	—	—	571
	<u>—</u>	<u>148,106</u>	<u>3,893</u>	<u>(2,140)</u>	<u>13</u>	<u>—</u>	<u>149,872</u>
OPERATING EXPENSES							
Revenue properties	—	73,187	—	(2,980)	(1,363)	—	68,844
Property management	—	421	—	—	333	—	754
	<u>—</u>	<u>73,608</u>	<u>—</u>	<u>(2,980)</u>	<u>(1,030)</u>	<u>—</u>	<u>69,598</u>
NET OPERATING INCOME	<u>—</u>	<u>74,498</u>	<u>3,893</u>	<u>840</u>	<u>1,043</u>	<u>—</u>	<u>80,274</u>
OTHER EXPENSES							
Interest	—	35,602	—	—	36	—	35,638
Depreciation and amortization	—	13,012	—	—	358	—	13,370
General and administrative.....	—	5,613	—	—	732	(2,700)	3,645
	<u>—</u>	<u>54,227</u>	<u>—</u>	<u>—</u>	<u>1,126</u>	<u>(2,700)</u>	<u>52,653</u>
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	<u>—</u>	<u>20,271</u>	<u>3,893</u>	<u>840</u>	<u>(83)</u>	<u>2,700</u>	<u>27,621</u>
INCOME TAXES							
Current income and large corporations taxes	—	3,312	—	(3,289)	—	—	23
Future income taxes	—	4,076	—	(3,276)	—	—	800
	<u>—</u>	<u>7,388</u>	<u>—</u>	<u>(6,565)</u>	<u>—</u>	<u>—</u>	<u>823</u>
NET INCOME.....	<u>\$—</u>	<u>\$ 12,883</u>	<u>\$3,893</u>	<u>\$ 7,405</u>	<u>\$ (83)</u>	<u>\$ 2,700</u>	<u>\$ 26,798</u>

DUNDEE REAL ESTATE INVESTMENT TRUST
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(All dollar amounts in thousands, except unit and per unit amounts)

1. BASIS OF PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Except for terms defined in these unaudited pro forma condensed consolidated financial statements, all other capitalized terms are as defined in the Management Information Circular of Dundee Realty Corporation dated May 23, 2003.

Dundee Real Estate Investment Trust (“Dundee REIT”) is an open-ended investment trust created pursuant to a Declaration of Trust dated May 9, 2003 under the laws of the Province of Ontario. Dundee Bancorp Inc. has proposed to acquire Dundee Realty Corporation (“DRC”). In connection with this acquisition, Dundee Properties Limited Partnership (“DPLP”) will acquire an 11.1 million square foot portfolio comprised of 52 office, 110 industrial and 5 retail revenue properties, and a 50% interest in a joint venture comprised of the property management operations of DRC relating to these revenue properties (Dundee Management Limited Partnership, or “DMLP”), together with their related assets and liabilities (the “Commercial Real Estate Division” or the “Division”) from DRC (the “Acquisition”). Upon completion of the Arrangement noted below, DPLP will be an indirect subsidiary of Dundee REIT.

As consideration for the Acquisition of the Division, and pursuant to completion of the Plan of Arrangement (the “Arrangement”), a series of transactions will ultimately result in Dundee REIT issuing REIT Units, Series A that will be held by the Public Shareholders and Management Shareholders, and DPLP issuing LP Class B Units, Series 1 that will be held directly and indirectly by DRC. As partial consideration for the Acquisition, DPLP will issue LP Notes, Series 1, LP Notes, Series 2, and LP Notes, Series 3 (collectively the “LP Notes”). Pursuant to the completion of the Arrangement, the LP Notes will be transferred to Dundee REIT in consideration for the issuance by Dundee REIT of REIT Units, Series A. These LP Notes will then be transferred to Dundee Properties Operating Trust A (“OTA”) in consideration for OTA Notes and OTA Units. OTA will then transfer the LP Notes to DPLP in consideration for LP Class A Units. These transactions, combined, have no net effect on the unaudited pro forma condensed consolidated balance sheet. The LP Class B Units, Series 1 will generally be exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. The LP Class B Units, Series 1 together with the accompanying Special REIT Units issued to DRC generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other. Accordingly, the LP Class B Units, Series 1 are classified as Unitholders’ Equity in the unaudited pro forma condensed consolidated balance sheet.

The assets and liabilities of the Division acquired in the Acquisition will be measured at DRC’s historical carrying amounts at the Effective Date because there has been no substantive change in the ultimate ownership interests in the Division.

The unaudited pro forma condensed consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and reflect the accounting policies and assumptions described below. The accounting policies are in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants (“CICA”) and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies (“CIPPREC”).

The unaudited pro forma condensed consolidated balance sheet of Dundee REIT has been prepared from information derived from the audited balance sheet of Dundee REIT as at May 9, 2003 and the audited combined balance sheet of the Division as at December 31, 2002. The unaudited pro forma condensed consolidated statement of net income has been prepared from information derived from the combined

DUNDEE REAL ESTATE INVESTMENT TRUST
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statement of net income of the Division for the year ended December 31, 2002. Dundee REIT had no operations prior to May 9, 2003.

The unaudited pro forma condensed consolidated balance sheet gives effect to the Acquisition as if it had occurred on December 31, 2002 and the unaudited pro forma condensed consolidated statement of net income gives effect to the Acquisition as if it had occurred on January 1, 2002.

The unaudited pro forma condensed consolidated financial statements reflect the Acquisition of the Division using the continuity of interests method of accounting and are based on available financial information and certain estimates and assumptions. In preparing these unaudited pro forma condensed consolidated financial statements, management has assumed that all necessary consents will be obtained from DRC's lenders.

The actual adjustments to the consolidated financial statements of Dundee REIT will depend on a number of factors including, but not limited to, changes in net carrying amounts, changes in DRC's net investment in the Division and operating results of the Division between December 31, 2002 and the actual Effective Date. Therefore, the actual adjustments will differ from the pro forma adjustments.

These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the results that would have been attained if Dundee REIT had been operated as a separate legal entity during the year presented and therefore are not necessarily indicative of future operating results. They should be read in conjunction with the combine financial statements of the Commercial Real Estate Division of DRC presented on pages G-2 to G-19 of this Management Information Circular.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Joint Ventures

Investments in joint ventures are recorded on a proportionate consolidation basis, whereby Dundee REIT's proportionate share of assets, liabilities, revenues and expenses are recorded.

Revenue Recognition

Revenue properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion. Dundee REIT has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Rental revenues include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The total of the cash rents received for the initial term of the lease for free rent tenant inducements are recorded on a straight-line basis over this period. Leases, which include contractual increases in basic rents, are only accounted for on a straight-line basis when they exceed expected increases in the projected Consumer Price Index; otherwise basic rents are accounted for as they become due. Recoveries from tenants are recognized as revenues in the period in which the applicable costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Dundee REIT provides an allowance for

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doubtful accounts against that portion of accounts receivable which is estimated to be uncollectible. Such allowances are reviewed periodically based upon the recovery experience of management.

Property management revenues are recognized when earned.

Revenue Properties Net Book Value

Revenue properties are stated at the lower of historic cost less accumulated depreciation and the net recoverable amount. Revenue properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less revenue earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property, combined with its estimated residual value and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Buildings, including initial leasing costs and major expansions and renovations, are depreciated using the sinking fund method. Under this method an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings over their estimated useful lives of 30 to 40 years. Building improvements are depreciated on a straight-line basis over the life of the improvement. Deferred leasing costs, which include leasing fees and costs, leasehold improvements and tenant inducements, other than initial leasing costs, are depreciated on a straight-line basis over the term of the applicable lease. Pavement, equipment and vehicles are depreciated on the declining balance basis over their estimated useful lives at 8% to 30% per annum.

Foreign Currency Translation

Dundee REIT's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of Unitholders' equity until there has been a realized reduction in the underlying investment.

Foreign Currency Transactions

Monetary assets and liabilities to be settled in foreign currencies, which are not held in foreign self-sustaining operations, are translated into Canadian dollars using the year-end rate of exchange. Non-monetary assets, liabilities, revenues and expenses are translated at the rate in effect on the date of the transaction. Gains and losses are included in the unaudited pro forma condensed consolidated statement of net income. However, no such gains or losses were recognized in 2002.

Deferred Expenses

Deferred expenses may include:

- Debt issue fees and expenses that are amortized on a straight-line basis over the term of the debt;
- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project;

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- Direct acquisition fees and costs, which exclude general and administrative costs, are deferred until the acquisition is completed and the costs are capitalized to the acquisition, or the acquisition is abandoned and the costs are written off;
- Recoverable operating expenses that are amortized over the period during which they are recoverable from tenants; and
- Non-recoverable major improvement expenditures that are amortized over their expected useful lives.

Other Equipment

Other equipment consists of office premise improvements, furniture, computer equipment and vehicles, which are depreciated on the declining balance basis over their estimated useful lives at 20% to 30% per annum.

Income Taxes

Dundee REIT is taxed as a mutual fund trust for income tax purposes. Pursuant to the Declaration of Trust, the Trustees of Dundee REIT will make distributions of, or will designate, all taxable income earned by Dundee REIT, including the taxable portion of net realized capital gains, to Unitholders and will deduct such distributions and designations for income tax purposes.

Canadian and United States based corporate subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates.

Dundee REIT uses the liability method of accounting for future income taxes of its corporate subsidiaries. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of these corporate subsidiaries' assets and liabilities and their carrying amounts for tax purposes. In addition, the benefit of tax losses available to be carried forward to future years for tax purposes, that are more likely than not to be realized, are recognized as a reduction of the income tax liability. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized as income in the period when the tax rate change is substantively enacted.

Unit-based Compensation

Dundee REIT may adopt a deferred trust unit plan or some other form of long-term performance incentive plan, with the prior approval of the majority of the Independent Trustees. As no units have been granted under the deferred trust unit plan proposed in the Management Information Circular or any other plan, no pro forma effect has been given to such plans.

3. DEFINITION OF DISTRIBUTABLE INCOME

Distributable income is not a measure defined by GAAP and there is no standardized measure of distributable income. Distributable income of Dundee REIT, as presented below, may not be comparable to similar measures presented by other real estate investment trusts.

"Distributable Series A Income" means, for any period, the net income of Dundee REIT and its applicable consolidated Subsidiaries for such period set out in its consolidated financial statements prepared as

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if Dundee REIT's only assets are OTA Units, OTA Notes and the amounts on deposit in the bank account maintained for the REIT Units, Series A, as determined in accordance with GAAP, adjusted:

- i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance, all as incurred after the Effective Date), amortization of fair value debt adjustments and future income tax expenses;
- ii) to add back costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan;
- iii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income; and
- iv) to reflect any other adjustments determined by a majority of the Trustees in their discretion.

"Distributable Series B Income" means, for any period, the net income of Dundee REIT and its applicable consolidated Subsidiaries for such period set out in its consolidated financial statements prepared as if Dundee REIT's only assets are OTB Units, OTB Notes and the amounts on deposit in the bank account maintained for the REIT Units, Series B, as determined in accordance with GAAP, adjusted:

- i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance, all as incurred after the Effective Date), amortization of fair value debt adjustments and future income tax expenses;
- ii) to add back costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan;
- iii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income; and
- iv) to reflect any other adjustments determined by a majority of the Trustees in their discretion.

It is Dundee REIT's intent that it shall distribute, on a monthly basis, not less than one-twelfth of 80% of each of the Distributable Series A Income and Distributable Series B Income, on an annualized basis based on the estimated distributable income amounts for the calendar year. Such distributions may be reduced for any period at the discretion of the Trustees.

Distributable income of DPLP will represent, in general, all of DPLP's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in DPLP) and that is determined by the General Partner of DPLP not to be required in connection with the business of DPLP. Such distributable income is payable first to the General Partner of DPLP, OTA and Dundee Properties Operating Trust B ("OTB") to allow these entities and Dundee REIT to pay their expenses on a timely basis, and any excess will be paid to the LP Class A Unitholders, which are owned indirectly by Dundee REIT, and the LP Class B Units, Series 1 equal on a per unit basis to the amount of the distribution declared on each REIT Unit, Series B or, if no such distribution is declared, to the amount of the distribution declared on each REIT Unit, Series A.

For the year ended December 31, 2002, the following pro forma distributable income of Dundee REIT has been calculated based on the assumption that the Acquisition occurred on January 1, 2002.

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	<u>Total</u> <u>(In thousands of dollars)</u>
PRO FORMA NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2002	\$26,798
Add:	
Depreciation and amortization (except for deferred leasing, deferred financing and non-recoverable deferred maintenance incurred after the Effective Date)	13,207
Amortization of fair value debt adjustments, included in interest expense	(333)
Future income tax expense	<u>800</u>
PRO FORMA DISTRIBUTABLE INCOME OF DUNDEE REIT AVAILABLE TO SATISFY LP CLASS B UNITS AND REIT UNITS, SERIES A	<u>\$40,472</u>
PRO FORMA DISTRIBUTABLE REIT SERIES A INCOME	\$23,198
PRO FORMA DISTRIBUTABLE REIT SERIES A INCOME PER UNIT	<u>\$ 2.50</u>
PRO FORMA DISTRIBUTABLE INCOME RELATING TO LP CLASS B UNITS, SERIES 1	<u>\$17,274</u>

The pro forma distributable income of Dundee REIT per unit amount and the allocation of pro forma distributable income between REIT Units, Series A and LP Class B Units, Series 1 presented above are based on the assumed holdings of REIT Units, Series A and LP Class B Units, Series 1 at the Effective Date by Public Shareholders, Dundee Bancorp Inc. and Management Shareholders as follows:

REIT Units, Series A	9,278,321
LP Class B Units, Series 1	6,909,245

The assumed holdings is based on the total number of common shares of DRC outstanding at April 30, 2003 (15,450,839 common shares) adjusted for the dilutive effect of an assumed exercise of 721,727 share options of DRC out of the total number of share options of DRC outstanding at April 30, 2003 of 1,870,013 share options, and the issuance of 15,000 REIT Units, Series A as described in note 4(c). The actual holdings by each of the respective shareholders at the Effective Date may be different.

The above pro forma per unit and distributable income amounts are not necessarily indicative of the distributable income amounts of Dundee REIT that will be determined once Dundee REIT commences operations.

4. PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET ADJUSTMENTS

a) Management has made the assumption that all cash will be removed except for restricted cash representing tenant security deposits and cash that is held as security, for the mortgagee of Greenbriar Mall and Greenbriar Theatre, for future interest payments, leasing costs, specified building improvements, realty tax and insurance costs.

b) A majority of the future income tax liability has been eliminated to reflect the assumed distribution of all taxable income of Dundee REIT to its Unitholders. The future income tax liability that is not eliminated relates to Dundee REIT's corporate subsidiaries that remain taxable.

c) Pursuant to the Arrangement, DRC will acquire 15,000 REIT Units, Series A at the Dundee REIT Series A Unit Price, assumed to be \$21 per unit for pro forma purposes, in consideration for a demand promissory note, resulting in a principal amount of \$315.

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5. PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME ADJUSTMENTS

a) Pursuant to the property management agreement (the “Master Property Management Agreement”, between DPLP, DMLP, DRC and Dundee REIT), DRC will provide a rent supplement (the “Supplement”) on account of vacancies as consideration for the engagement of DMLP by Dundee REIT. The amount of the Supplement is computed using a formula that is based on specified vacant space of certain of Dundee REIT’s revenue properties. The term of the Supplement is five years for office and retail space and three years for industrial space. The Master Property Management Agreement identifies vacant space subject to the Supplement. This vacant space is based on conditions expected at the date of the Acquisition. For purposes of the unaudited pro forma condensed consolidated statement of net income, management applied the properties and space listed in the Master Property Management Agreement to the conditions that existed on January 1, 2002 and for the twelve months then ended. Certain space subject to the Supplement was leased for some or all of 2002 and no pro forma effect was given, as appropriate, with respect to the Supplement for this occupied space. Revenue from the Supplement has been calculated as \$3,893, which is reflected as an increase to revenue from revenue properties. This pro forma Supplement is not necessarily indicative of the future Supplement that will be determined under the Master Property Management Agreement as this will be dependant on future market conditions and vacancies.

b) All capital tax expense, and a majority of current income taxes including large corporations tax and future income tax expenses, have been eliminated to reflect the assumed distribution of all taxable income of Dundee REIT to its Unitholders and that all entities other than Dundee REIT’s corporate subsidiaries are not subject to capital and large corporations taxes. The current income taxes including large corporations tax and future income tax expenses that are not eliminated relate to Dundee REIT’s corporate subsidiaries that remain taxable. In addition, the amount of recoveries relating to capital tax and large corporations tax that were included in revenue properties revenues have been eliminated on the assumption that it would not have been billed to Dundee REIT’s tenants. As a result, current income and large corporations taxes have been reduced by \$3,289, future income taxes by \$3,276, revenue properties revenues by \$2,140 and revenue properties operating expenses by \$2,980.

c) DMLP will administer the day-to-day operations and leasing of Dundee REIT’s revenue properties pursuant to the Master Property Management Agreement and will charge management, lease administration, document processing and construction fees for such services. Dundee REIT will capitalize 50% of the lease administration, document processing and construction fees (which represent the 50% portion of DMLP not owned by Dundee REIT) and an applicable portion of 50% of the related direct costs (which represent Dundee REIT’s 50% share of DMLP’s costs). In addition, DMLP will provide certain administrative services to be reimbursed by Dundee REIT, as well as services relating to property acquisitions, property financing or refinancing and equity financing, pursuant to the Administrative Services Agreement (the “Services Agreement”) between DMLP, Dundee REIT, DPLP, OTA and OTB. Dundee REIT will capitalize 50% of the property acquisition, property financing or refinancing and equity financing fees (which represent the 50% portion of DMLP not owned by Dundee REIT). The initial term for both of these agreements is five years. The pro forma adjustments presented below are not necessarily indicative of the future effect of these agreements as they will be dependant on future operating conditions. The pro forma effects of these agreements are as follows:

i) an increase in property management revenues of \$13 representing additional fees in respect of managed third party properties;

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ii) a reduction in revenue properties operating expenses by \$1,363 reflecting the effect of capitalizing \$1,095 of costs and a reduction in management fees of \$268 as a result of lower rates, on a pro forma basis. The costs being capitalized on a pro forma basis consist of the following:

- Lease administration costs of \$615;
- Document processing costs of \$200 in respect of new leases, renewals and amendments; and
- Construction costs of \$280 for Approved Construction and Capital Expenditures in respect of which DMLP performs the function of construction or project manager.

iii) an increase in property management expenses of \$333 due to a reclassification of property financing or refinancing and property acquisition costs from general and administrative expenses;

iv) an increase in interest expense of \$36 arising from amortization of capitalized property financing or refinancing fees over the term of the related debt;

v) an increase in depreciation and amortization expense of \$358 arising from depreciation and amortization of capitalized lease administration and document processing fees and costs amortized over the life of the lease, capitalized construction fees and costs over the life of the related asset, and capitalized property acquisition fees depreciated over the life of the related asset; and

vi) an increase in general and administrative expenses of \$732 representing reimbursable direct costs pursuant to the Services Agreement based, on a pro forma basis, on DRC's historical costs for 2002.

d) The Division's general and administrative expenses for the year ended December 31, 2002 of \$5,613 represent an allocation of the total general and administrative expenses of DRC using the net book value of the assets of the Division relative to DRC. This allocation did not represent the direct costs of DRC that would have been incurred by Dundee REIT and not covered under the Services Agreement. Accordingly, these allocated costs have been reduced by \$2,700, resulting in \$2,913 of general and administrative costs, on a pro forma basis, not covered under the Services Agreement that would have been incurred directly by Dundee REIT. These pro forma costs are not necessarily indicative of the future costs that will be incurred, as they will be dependant on future operating conditions.

APPENDIX H
RBC VALUATIONS AND FAIRNESS OPINION

May 2, 2003

The Special Committee of the Board of Directors
Dundee Realty Corporation
30 Adelaide Street
Suite 1600
Toronto, Ontario
M5C 3H1

To the Special Committee:

RBC Dominion Securities Inc. (“RBC”), a member company of RBC Capital Markets, understands that Dundee Realty Corporation (“Dundee Realty” or the “Company”) and Dundee Bancorp Inc. (together with certain of its affiliates, “Dundee”) are contemplating a plan of arrangement (the “Arrangement”) whereby substantially all of the Company’s income producing commercial properties (the “Revenue Properties”) will be transferred to a limited partnership (“Dundee Properties LP”) that will be owned indirectly as to approximately 49.7% by a newly formed real estate investment trust (“Dundee REIT”) and as to approximately 50.3% by Dundee and certain members of management of the Company (“Participating Management”). Dundee currently owns approximately 42.7% of the common shares (“Shares”) of the Company on a fully diluted basis, which together with certain of the Shares held by Participating Management on a fully diluted basis represents approximately 50.3% of the fully diluted number of Shares. RBC understands that under the Arrangement holders of Shares other than Dundee and Participating Management (in respect of certain of the Shares held by them) will receive one unit (“Unit”) of Dundee REIT per Share held, and that Dundee and Participating Management will hold indirect interests in Dundee Properties LP, such that upon completion of the Arrangement all holders of Shares will hold an indirect interest in the Revenue Properties that is proportionate to their interest in the Company. The units of Dundee Properties LP will be exchangeable for units of Dundee REIT. RBC also understands that under the Arrangement holders of Shares other than Dundee and Participating Management (in respect of certain of the Shares held by them) will receive \$3.00 in cash per Share held and that Dundee Realty, which will become indirectly wholly-owned by Dundee and Participating Management, will continue to own the Company’s land and housing development business, a 50% interest in Dundee Management Limited Partnership (the “Property Manager”), and certain other assets and liabilities (collectively, the “Retained Net Assets”). RBC further understands Dundee REIT will own, directly or indirectly, a 50% interest in the Property Manager, which will carry on all of the Company’s real estate services business other than in relation to the Company’s land and housing development business. The terms of the Arrangement will be more fully described in a management information circular (the “Circular”), which will be mailed to holders of Shares in connection with the Arrangement.

RBC also understands that a committee (the “Special Committee”) of members of the board of directors (the “Board”) of the Company who are independent of Dundee has been constituted to consider the Arrangement and make recommendations thereon to the Board. RBC was instructed by the Special Committee that the Arrangement is a “going private transaction” within the meaning of Rule 61-501 of the Ontario Securities Commission and Quebec Securities Commission Policy Statement Q-27 (collectively, the “Policies”). The Special Committee has retained RBC to provide advice and assistance to the Special Committee in evaluating the Arrangement, including the preparation and delivery to the Special Committee of formal valuations of the Shares (the “Dundee Realty Valuation”), the Units (the “Dundee REIT Valuation”) and the Retained Net Assets (the “Retained Net Assets Valuation”) (collectively, the

“Valuations”) in accordance with the requirements of the Policies, and RBC’s opinion (the “Fairness Opinion”) as to the fairness of the consideration under the Arrangement, from a financial point of view, to the holders of Shares other than Dundee, Participating Management and their respective associates and affiliates (the “Minority Shareholders”). The Valuations and Fairness Opinion have been prepared in accordance with the guidelines of the Investment Dealers Association of Canada.

Engagement

The Special Committee initially contacted RBC regarding a potential advisory assignment in January 2003, and RBC was formally engaged by the Special Committee through an agreement between the Company and RBC (the “Engagement Agreement”) dated February 10, 2003. The terms of the Engagement Agreement provide that RBC is to be paid \$425,000 for the Valuations and Fairness Opinion. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Valuations and Fairness Opinion in their entirety and a summary thereof in the Circular and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, Dundee or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, Dundee or any of their respective associates or affiliates, within the past two years, other than the services provided under the Engagement Agreement and as described herein. In 2003, RBC participated in a public offering of limited partnership units relating to Dynamic CMP Funds VI Management Inc., an affiliate of Dundee, but did not act as lead or co-lead underwriter in respect of such offering. In 2002, RBC (i) arranged a \$67.5 million first mortgage financing in respect of the Company’s 30 Adelaide Street East property in Toronto, and (ii) acted as lead manager in respect of two public offerings of limited partnership units relating to (a) Canada Dominion Resources IX Corporation, an affiliate of Dundee, and (b) Canada Dominion Resources X Corporation, an affiliate of Dundee. There are no understandings, agreements or commitments between RBC and the Company, Dundee or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, Dundee or any of their respective associates or affiliates. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Valuations or the Fairness Opinion or the successful outcome of the Arrangement. Royal Bank of Canada, of which RBC is a wholly-owned subsidiary, provides banking services to the Company, Dundee and certain of their respective associates and affiliates in the normal course of business.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, Dundee, Dundee REIT or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, Dundee, Dundee REIT or the Arrangement.

Credentials of RBC Capital Markets

RBC is one of Canada’s largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Valuations and the Fairness Opinion expressed herein represent the opinions of RBC and

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the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review

In connection with our Valuations and Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated April 30, 2003, of the Circular (the “Draft Circular”);
2. the most recent drafts, dated April 27, 2003, of the Acquisition Agreement and the Master Asset Transfer Agreement;
3. the most recent draft, dated April 27, 2003, of the Declaration of Trust creating Dundee REIT;
4. the most recent draft, dated April 27, 2003, of the limited partnership agreement creating Dundee Properties LP;
5. the most recent drafts, dated April 27, 2003, of the limited partnership agreement creating the Property Manager, and the Master Property Management Agreement (the “Management Agreement”);
6. the most recent draft, dated April 27, 2003, of the Administrative Services Agreement;
7. audited financial statements of the Company for each of the five years ended December 31, 2002;
8. the unaudited interim reports of the Company for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002;
9. annual reports of the Company for each of the two years ended December 31, 2001;
10. the Notice of Annual Meeting of Shareholders and Management Information Circulars of the Company for each of the two years ended December 31, 2001;
11. annual information forms of the Company for each of the two years ended December 31, 2001;
12. historical segmented financial statements of the Company by business unit for each of the five years ended December 31, 2002;
13. unaudited property cash flows for the Company for the year ended December 31, 2002;
14. the unaudited internal management budget of the Company on a consolidated basis and segmented by business unit and by property for the year ending December 31, 2003;
15. unaudited projected financial statements for the Company on a consolidated basis and segmented by business unit, prepared by management of the Company, for each of the three years ending December 31, 2005;
16. unaudited projected cash flows for the Company’s income producing properties, prepared by management of the Company, for each of the three years ending December 31, 2005;
17. unaudited projected cash flows for the Company’s land and housing development projects, prepared by management of the Company, for each of the four years ending December 31, 2006;
18. independent appraisals of certain of the Company’s properties;
19. various co-ownership agreements relating to the properties owned by the Company;
20. discussions with senior management of the Company;
21. discussions with the Company’s tax advisors and legal counsel;

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22. discussions with McMillan Binch LLP, counsel to the Special Committee;
23. site visits to certain of the Company's properties;
24. public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public entities considered by us to be relevant;
25. public information with respect to other transactions of a comparable nature considered by us to be relevant;
26. public information regarding the real estate industry generally, and commercial property and land and housing development entities in particular;
27. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Valuations and Fairness Opinion are based; and
28. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC. As the auditors of the Company declined to permit RBC to rely upon information provided by them as a part of any due diligence review, RBC did not meet with the auditors and has assumed the accuracy and fair presentation of and relied upon the audited financial statements of the Company and the reports of the auditors thereon.

Prior Valuations

The Company has represented to RBC that there have not been any prior valuations (as defined in Ontario Securities Commission Rule 61-501) of the Company or its material assets or its securities in the past twenty-four month period.

Assumptions and Limitations

With the Special Committee's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the "Information"). The Valuations and Fairness Opinion are conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) taken as a whole provided (a) orally by an officer of either the Company, Dundee Realty Management Inc. or Dundee Development Corporation in the presence of, or designated for such purpose by, such senior officers of the Company or (b) in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Valuations and Fairness Opinion was, as of the date of such Information complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided; and that (ii) since the respective dates of the Information, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and there has been no

material change relating to the Information which is of a nature to render the Information, taken as a whole, incomplete, untrue or incorrect in any material respect.

In preparing the Valuations and Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met and that the disclosure provided or incorporated by reference in the Draft Circular with respect to the Company, its subsidiaries and affiliates and the Arrangement is accurate in all material respects.

The Valuations and Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Valuations and Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

The Valuations and Fairness Opinion have been provided for the use of the Special Committee and the Board and may not be used by any other person or relied upon by any other person other than the Special Committee and the Board without the express prior written consent of RBC. The Valuations and Fairness Opinion are given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuations or Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuations or Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Valuations or Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuations or Fairness Opinion. The preparation of a valuation or fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. Neither the Valuations nor the Fairness Opinion are to be construed as a recommendation to any holder of Shares as to whether to vote in favour of the Arrangement.

Overview of the Company

Dundee Realty is a fully integrated real estate company that is principally engaged in the ownership, development and management of income producing commercial properties, primarily in Canada, and is also active in the development of master planned residential communities and commercial sites, as well as home and condominium construction.

The Company owns and manages a portfolio of 147 income producing commercial properties totaling approximately 11.2 million square feet ("sf") based on the Company's owned share of total gross leasable area ("GLA"). The Company's 98 industrial properties total approximately 6.1 million sf based on Dundee Realty's owned share of total GLA and, by size, are located approximately 46% in the greater Montreal area, 22% in the greater Toronto area, 18% in Calgary and 14% in Edmonton. Dundee Realty's 40 office properties total approximately 3.6 million sf based on the Company's owned share of total GLA and, by size, are located approximately 42% in greater Toronto, 20% in greater Montreal, 19% in Ottawa, and 19% in western Canada. The Company owns nine retail properties that total approximately 1.5 million sf based on its owned share of total GLA, including an approximately 800,000 sf regional mall in Atlanta and an approximately 325,000 sf mall in Regina. Dundee Realty also owns two leisure properties, including one hotel property in western Canada and a ski area in Colorado.

Dundee Realty's land group acquires, aggregates, zones and services land for resale to residential and commercial developers. The Company owns approximately 770 single family lots well as 3,150 acres of land,

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primarily in western Canada, which are held for future development. The Company's housing group facilitates the sale of lots developed by Dundee Realty, constructs new homes on land developed by third parties, and is currently developing a major condominium project in Toronto as well as luxury homes and town homes in Beaver Creek, Colorado.

The Company also provides property management, leasing and construction, real estate advisory and land development management services. Dundee Realty manages substantially all of its portfolio of income producing properties and earns property management, leasing and construction fees from its co-owners in respect of the approximately 2.0 million sf of total GLA not owned by the Company. Dundee Realty also earns fees for real estate services it provides to its co-owners in certain land ventures.

Definition of Fair Market Value

For purposes of the Valuations, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. RBC has not made any downward adjustment to the value of the Shares or the Retained Net Assets to reflect their liquidity, the effect of the Arrangement or the fact that the Shares held by Minority Shareholders do not form part of a controlling interest.

Dundee Realty Valuation

Valuation Methods

RBC's primary valuation methodology in preparing the Dundee Realty Valuation was an after-tax net asset value ("NAV") approach. As a test of the NAV range obtained, RBC also reviewed precedent transactions involving public real estate entities with significant income producing properties, including an analysis of the implied capitalization rates ("cap rates") of net operating income ("NOI") and multiples of funds from operations ("FFO"). Given the non-recurring nature of the cash flow from the Company's land and housing development activities as well as the lack of precedent transactions involving publicly traded entities that are primarily focused on land development, RBC did not rely on the precedent transactions approach in valuing Dundee Realty's land and housing development business.

RBC also reviewed the trading multiples of comparable public companies involved in the real estate industry generally, from the perspective of whether a public market value analysis might exceed NAV or precedent transaction values. However, RBC concluded that public company multiples implied values that were at or below NAV and precedent transaction values. Given the foregoing and that public company values generally reflect minority discount values rather than "en bloc" values, RBC did not rely on this methodology.

Net Asset Value Analysis

The NAV approach ascribes a separate value for each category of asset and liability, utilizing the methodology appropriate in each case. The sum of total assets less total liabilities yields the NAV.

There are seven key components to Dundee Realty's NAV:

- i) income producing properties;
- ii) land and housing developments;
- iii) real estate services business;
- iv) secured and corporate level debt;
- v) income taxes and tax deductions;
- vi) other assets and liabilities; and
- vii) capitalized general and administrative ("G&A") expenses.

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Income Producing Properties

Dundee Realty’s income producing property portfolio consists of 98 industrial properties, 40 office properties, nine retail properties and two leisure properties. RBC used primarily a capitalization of NOI approach to value the income producing properties. Three-year unlevered free cash flow projections for each property were prepared based on projections provided by management of the Company. RBC reviewed the assumptions in management’s projections and determined that material adjustments were not necessary. Appropriate cap rates were selected based on precedent private market transactions and RBC’s knowledge of current real estate pricing parameters. The cap rates used by RBC ranged from 7.8% to 12.0% with an average of 9.2%. The property values resulting from the above analyses were reviewed on the basis of price per square foot and average yield to ensure these measures were also consistent with market pricing parameters. This analysis resulted in a value for Dundee Realty’s interest in the income producing property portfolio of between \$842.9 million and \$887.1 million.

Land and Housing Developments

RBC used primarily a discounted cash flow (“DCF”) analysis approach to valuation of Dundee Realty’s land under development and housing activities and a price per acre approach to valuation of the Company’s land held for future development. The DCF approach takes into account the amount, timing and relative certainty of projected free cash flows expected to be generated by the Company’s projects. The DCF approach requires that certain assumptions be made regarding, among other things, future cash flows and discount rates. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values.

Four-year pro forma unlevered free cash flow projections for Dundee Realty’s land under development and housing activities were prepared based on projections provided by management of the Company. RBC reviewed the assumptions in management’s projections and determined that material adjustments were not necessary. RBC applied the following ranges of discount rates to the projected unlevered free cash flows from Dundee Realty’s land under development and housing activities, respectively:

Land Development	15.0% — 20.0%
Housing	12.5% — 17.5%

These discount rates were selected based on precedent private market transactions and RBC’s knowledge of current pricing parameters for land and housing development. The values resulting from the above analyses were reviewed on the basis of housing lot values in the case of land under development to ensure these measures were also consistent with market pricing parameters. These analyses resulted in a value for Dundee Realty’s land and housing development activities of between \$160.5 million and \$184.0 million.

Real Estate Services Business

Dundee Realty provides property management, leasing and construction, real estate advisory and land development management services. All of the Company’s real estate services relate to properties that are owned or co-owned by Dundee Realty, with all third party fees being earned from the Company’s co-owners. RBC used primarily a forward multiple of earnings before interest, taxes, depreciation and amortization (“EBITDA”) approach, the primary methodology upon which companies in the real estate services business are valued. Appropriate multiples were selected based on the nature of Dundee Realty’s management contracts, precedent private market transactions and RBC’s knowledge of current real estate services pricing parameters. RBC applied multiples of 5.0x to 7.0x projected 2003 EBITDA. This analysis resulted in a value for Dundee Realty’s real estate services business of \$4.4 million to \$6.1 million.

Secured and Corporate Level Debt

The Company has total secured property level debt of approximately \$485.3 million and corporate level debt of approximately \$87.4 million. For the fixed rate debt of approximately \$494.8 million, the weighted average coupon rate is slightly above market with a weighted average term of approximately 4.2 years and a weighted average interest rate of approximately 7.13%. Based on current Government of Canada Bond yields and real estate lending spreads, RBC estimates that marking the fixed rate debt to market decreases Dundee Realty's NAV by approximately \$17.8 million.

Income Taxes and Tax Deductions

RBC reduced Dundee Realty's NAV to reflect the lower tax basis of the Company's assets relative to their fair market value. This analysis calculated the net present value ("NPV") of the foregone tax shield (due to the lower basis) for Dundee Realty's income producing properties and the NPV of the estimated tax liability associated with the realization of the Company's land and housing assets. Based on the above analysis RBC has deducted between \$23.1 million and \$34.9 million from Dundee Realty's NAV to reflect the historical tax basis of the Company's assets.

Offsetting these potential tax liabilities are a number of tax deductions available to Dundee Realty. The Company has approximately \$29.0 million of non-capital loss carryforwards ("LCFs") that are available to offset future taxable income. RBC has estimated the benefit of these LCFs based on an analysis of the NPV of the tax shelter over the same timeframe as the foregone tax shield calculation above and has added approximately \$4.3 million to Dundee Realty's NAV.

Other Assets and Liabilities

The Company has outstanding options to purchase approximately 1.9 million Shares at prices ranging from \$8.80 to \$24.00 per Share (weighted average price is \$13.02 per Share). For the purposes of the NAV analysis, certain of the options held by Participating Management with exercise prices less than our NAV per Share are assumed to be exercised for cash proceeds. All other options with exercise prices less than our NAV per Share are assumed to be cancelled in exchange for cash payments equal to their respective intrinsic values.

Dundee Realty has a number of historic contingent liabilities, certain of which have been risk adjusted based on discussions with the general counsel of the Company. Based on the above analysis, on a risk adjusted basis, RBC has deducted between \$2.0 million and \$5.0 million from the Company's NAV.

Dundee Realty's other non-real estate assets and liabilities, including working capital, were valued at their book value for purposes of RBC's NAV analysis, except for deferred expenses related to tenant inducements and financing costs which were given no value. Given that RBC's NAV analysis is based on the Company's balance sheet at December 31, 2002, RBC also added \$5.8 million in estimated free cash flow generated from December 31, 2002 to the date hereof to Dundee Realty's NAV.

Capitalized General and Administrative Expenses

Dundee Realty has budgeted total corporate non-recoverable G&A expenses of approximately \$5.5 million. For the purposes of our NAV analysis, we have deducted an amount of \$38.5 million for the capitalized cost of the G&A expenses based on a 7.0x multiple.

Summary

The following table summarizes RBC's NAV analysis of Dundee Realty:

	<u>Low</u>	<u>High</u>
	<u>(C\$ millions, except per Share amounts)</u>	
Income Producing Properties	\$ 842.9	\$ 887.1
Land and Housing Developments	160.5	184.0
Real Estate Services Business	4.4	6.1
Cash (including proceeds from options)	35.7	35.7
Other Assets	<u>39.0</u>	<u>39.0</u>
Total Assets	1,082.4	1,151.9
Debt on Real Estate Assets	485.3	485.3
Term Debt and Operating Lines	87.4	87.4
Mark-to-Market Adjustment	17.8	17.8
Other Liabilities (including contingencies)	36.2	33.2
Capitalized G&A	<u>38.5</u>	<u>38.5</u>
Pre-Tax Equity	417.3	489.7
Income Tax Adjustment	<u>(18.8)</u>	<u>(30.6)</u>
After-Tax Equity	<u>\$ 398.5</u>	<u>\$ 459.1</u>
Shares Outstanding (assuming option exercises)	16.2	16.2
After-Tax NAV per Share	<u>\$ 24.64</u>	<u>\$ 28.39</u>

Sensitivity Analysis

In completing our NAV analysis, RBC performed a variety of sensitivity analyses. Variables sensitized included cap rates and occupancy rates. A change of 0.25% in cap rates for Dundee Realty's income producing properties changes NAV by approximately \$1.34 per Share before taxes. A change of 1.0% in occupancy rates changes NAV by approximately \$1.09 per Share before taxes. The results of these sensitivity analyses are reflected in our judgment as to the appropriate values resulting from the NAV approach.

Precedent Transactions Analysis

The following table illustrates the multiples of FFO and cap rates of NOI at which recent transactions have been completed involving Canadian public real estate entities with significant income producing properties.

<u>Announcement Date</u>	<u>Target</u>	<u>Acquiror</u>	<u>Enterprise Value</u>	<u>FFO Multiple(1)</u> (C\$ millions)	<u>Implied Cap Rate(*)</u>
November 12, 2001	Goldlist Properties Inc.	Acktion Corporation	\$ 447.0	7.1x	11.1%
August 20, 2001	Oxford Properties Group Inc.	OMERS	\$3,457.8	8.8x	8.4%
January 12, 2001	Bentall Corporation	SITQ Immobilier	\$1,617.9	7.8x	9.1%
November 6, 2000	Revenue Properties(3)	Acktion Corporation	\$1,511.8	6.6x	10.2%
July 24, 2000	Gentra Inc.(4)	Brookfield Properties Corp.	\$1,668.6	5.6x	11.0%
July 21, 2000	Acanthus Real Estate Corp.	Cadim Inc.	\$ 436.2	9.4x	9.6%
June 26, 2000	Centrefund Realty(3)	Gazit Group	\$1,117.6	7.6x	9.0%
May 25, 2000	Cambridge Shopping Centres	Ivanhoe	\$3,713.7	10.2x	9.4%
December 1, 1999	Cadillac Fairview	Ontario Teachers	\$5,676.2	9.2x	9.4%
September 7, 1999	Avista REIT	Summit REIT	\$ 370.9	9.1x	9.3%
March 15, 1999	RealFund Trust	RioCan REIT	\$ 727.2	9.5x	8.0%

Notes:

- (1) FFO multiple is based on analysts' consensus current year forecasts at the time of the transaction.
- (2) Equal to NOI calculated by either (i) last quarter annualized NOI for entities owning primarily office, industrial and residential assets or (ii) latest twelve months for entities owning primarily retail assets, divided by transaction enterprise value, less non-NOI producing assets.
- (3) Partial bid.
- (4) Not successfully completed.

In selecting appropriate FFO multiples and cap rates to apply to the Revenue Properties, RBC considered the characteristics of the entities involved in the above transactions including, among other things, the size, quality and mix of their assets. Several of the precedent transactions involved entities whose properties were primarily in a single asset class or whose assets were larger and perceived to be of higher quality than the Company's. RBC also notes that several of these transactions involved going private transactions or insider bids where an opinion was rendered that the consideration was inadequate from a financial point of view to the minority shareholders. Based on the foregoing, RBC considers appropriate ranges of FFO multiples and NOI cap rates for the Revenue Properties to be 8.0x to 8.5x and 9.0% to 9.5%, respectively. This analysis implies values per Share for the Revenue Properties as follows:

FFO	\$2.27 per Share	
Multiple	8.0x	8.5x
Implied Value per Share	\$18.18	\$19.31
NOI	\$75.0 million	
Cap Rate	9.5%	9.0%
Implied Value per Share	\$16.96	\$19.67

Adding the range of fair market values of the Retained Net Assets under the Retained Net Assets Valuation below implies a value for the Shares of \$23.46 to \$28.17 per Share.

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Benefits to Dundee and Participating Management of Acquiring the Shares Held by the Minority Shareholders

In arriving at our opinion of the value of the Shares, we reviewed and considered whether any distinctive material value will accrue to Dundee and Participating Management through the acquisition of all the Shares held by the Minority Shareholders as contemplated under the Arrangement. We concluded that there were no material specific operational or financial benefits that would accrue to Dundee and Participating Management such as the earlier use of available tax losses, lower income tax rates, reduced operating costs, increased revenues, higher asset utilization or any other operational or financial benefits, other than the elimination of public company costs.

Valuation Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the fair market value of the Shares is in the range of \$24.75 to \$28.25 per Share.

Dundee REIT Valuation

Valuation Methods

In preparing the Dundee REIT Valuation, RBC determined that the appropriate approach was to use the expected market trading value of the Units after an appropriate period to allow for recycling of the Units following completion of the Arrangement. Under the Arrangement, Minority Shareholders will be receiving minority interests in Dundee REIT and will not be able to effect a sale of 100% of Dundee REIT, making it inappropriate to consider methodologies that are based on the assumption of a change of control transaction. RBC also considered an NAV analysis of Dundee REIT primarily as a check on expected market trading values.

In assessing the expected market trading value of the Units, RBC reviewed publicly traded commercial property REITs in the Canadian equity market as illustrated in the following table.

<u>REIT</u>	<u>Unit Price(1)</u>	<u>Market Capitalization</u>	<u>Price/ 2003E FFO(2)</u>	<u>Current Yield</u>	<u>RDI(2)(3) Payout</u>	<u>AFFO(2)(4) Payout</u>	<u>2003E Tax Deferral(2)</u>	<u>Debt/ Assets(2)</u>
				(C\$ millions, except per share amounts)				
Alexis Nihon	\$10.15	\$ 171.5	8.1x	10.8%	87.4%	123.9%	60%	53.1%
Calloway	\$ 9.15	\$ 54.9	7.0x	12.6%	89.9%	92.8%	73%	51.7%
Cominar	\$13.00	\$ 339.3	9.0x	8.6%	83.3%	93.8%	50%	48.9%
CREIT	\$12.95	\$ 670.8	8.8x	9.5%	89.8%	91.8%	50%	53.1%
H&R	\$14.38	\$1,019.5	9.5x	8.5%	85.0%	89.3%	50%	59.3%
IPC US	\$ 9.59	\$ 217.5	7.3x	10.0%	73.3%	83.3%	75%	59.6%
Morguard	\$ 8.27	\$ 366.4	8.0x	10.9%	94.7%	102.3%	65%	49.1%
O&Y	\$10.06	\$ 357.4	8.4x	10.6%	89.9%	101.0%	55%	34.5%
RioCan	\$13.26	\$2,248.9	10.0x	8.6%	89.1%	95.0%	40%	51.9%
Summit	\$15.37	\$ 793.1	8.9x	10.0%	93.9%	100.7%	60%	52.3%

Notes:

- (1) Closing price on May 1, 2003.
- (2) RBC Research estimates.
- (3) Current distribution as a percentage of recurring distributable income ("RDI").
- (4) Current distribution as a percentage of adjusted funds from operations ("AFFO"). AFFO is equal to FFO less tenant inducements and non-recoverable maintenance capital expenditures.

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RBC considered the characteristics of the publicly traded commercial property REITs above including, among other things, the size, quality and mix of their assets, market capitalization and following in the capital markets, forward trading multiples of FFO, current yields, payout ratios based on RDI and AFFO, tax deferral of distributions, leverage, property and asset management arrangements, ownership and governance. Based on the foregoing, RBC considers appropriate ranges of normalized FFO multiples and pre-tax yields for Dundee REIT to be 8.0x to 8.5x and 10.0% to 11.0%, respectively.

These ranges of normalized FFO multiples and pre-tax yields imply market trading values per Unit as follows:

FFO	\$2.62 per Unit	
Multiple	8.0x	8.5x
Implied Value per Unit	\$20.97	\$22.28
Distribution (1)	\$2.23 per Unit	
Cap Rate	11.0%	10.0%
Implied Value per Share	\$20.24	\$22.27

Note:

(1) Based on estimated RDI of \$2.62 per Unit and the midpoint of management’s estimated payout range of 80% to 90% of RDI.

RBC considered an NAV analysis of Dundee REIT primarily as a check on expected market trading values and concluded that, consistent with most publicly traded commercial property REITs in the Canadian equity market, the expected market trading value of the Units would be approximately equal to the pre-tax NAV of the Units of \$19.86 to \$22.61 per Unit, excluding the REIT’s 50% interest in the Property Manager and prior to any deduction for non-recoverable G&A expenses.

Valuation Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the fair market value of the Units is in the range of \$20.50 to \$22.00 per Unit.

Retained Net Assets Valuation

Valuation Methods

RBC’s primary valuation methodology in preparing the Retained Net Assets Valuation was an after-tax NAV approach. As in the Dundee Realty Valuation, given the non-recurring nature of the cash flow from the Company’s land and housing development activities as well as the lack of precedent transactions involving publicly traded entities that are primarily focused on land development, RBC did not rely on the precedent transactions approach in valuing Dundee Realty’s land and housing development business. RBC also did not rely on a review of the trading multiples of public companies involved in the real estate industry, given the lack of publicly traded land development companies and that public company values generally reflect minority discount values rather than “en bloc” values.

Net Asset Value Analysis

Other than the division of the Company's assets and liabilities between Dundee REIT and Dundee Realty, there are five key differences in the components of the Retained Net Assets NAV compared to the NAV analysis under the Dundee Realty Valuation:

- i) interest in the Property Manager;
- ii) obligation regarding vacant space;
- iii) notes receivable from Participating Management;
- iv) transaction costs; and
- v) capitalized G&A expenses.

Interest in the Property Manager

Pursuant to the Management Agreement, the Property Manager will provide property management services to Dundee REIT for a fee of 3.5% of gross revenue. The Management Agreement along with fees earned from third parties, including Dundee Realty, is expected to generate approximately \$1.4 million in EBITDA annually for the Property Manager. As in the Dundee Realty Valuation, RBC used primarily a forward multiple of EBITDA approach to value the real estate services business of the Property Manager following completion of the Arrangement. Appropriate multiples were selected based on the nature of the management contracts, precedent private market transactions and RBC's knowledge of current real estate services pricing parameters. RBC applied multiples of 5.0x to 7.0x forward EBITDA from the real estate services business and added 50% of this amount or \$3.5 to \$4.9 million to the Retained Net Assets NAV to reflect the indirect interest of Dundee and Participating Management in the Property Manager.

Obligation Regarding Vacant Space

Under the terms of the Management Agreement, Dundee Realty will pay to Dundee Properties LP a rent supplement (the "Rent Supplement") in respect of certain commercial space in certain of the Revenue Properties (the "Specified Premises"). For each of the Specified Premises, the Rent Supplement will be equal to the difference between (i) the budgeted gross rent in respect of such space, less amortization of the associated budgeted leasing costs, and (ii) the actual gross rent received by Dundee Properties LP in respect of such space, less amortization of the associated actual leasing costs. The terms of the Rent Supplement for currently vacant office and industrial space will be five years and three years, respectively. RBC reviewed budgeted leasing projections, prepared by management of the Company, for the Revenue Properties. RBC also considered current leasing conditions in the markets where the Revenue Properties are located, as well as the potential liability in the event the space subject to the Rent Supplement is not leased to third parties during the relevant term of the Rent Supplement. Based on the foregoing, RBC reduced the Retained Net Assets NAV by \$7.1 million to \$13.5 million to reflect this obligation.

Notes Receivable from Participating Management

Under the Arrangement, Participating Management will exercise certain of the options held by them to acquire Shares, and Dundee Realty will hold notes receivable from Participating Management in respect of the aggregate exercise price of approximately \$9.2 million. RBC has reviewed the terms of the notes and concluded that their fair market value is equivalent to their face amount.

Transaction Costs

RBC has reduced the Retained Net Assets NAV by \$10.6 million to \$13.6 million to reflect the transaction costs that will be incurred by Dundee Realty in connection with the Arrangement.

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Capitalized General and Administrative Expenses

Upon completion of the Arrangement, Dundee Realty will have residual corporate non-recoverable G&A expenses of approximately \$1.6 million that have neither been allocated to Dundee REIT nor deducted in arriving at the \$1.4 million EBITDA for the Property Manager described above. For the purposes of the Retained Net Assets NAV analysis, RBC has deducted an amount of \$11.0 million for the capitalized cost of the G&A expenses based on a 7.0x multiple.

Summary

The following table summarizes RBC's NAV analysis of the Retained Net Assets:

	<u>Low</u>	<u>High</u>
	<u>(C\$ millions, except per Share amounts)</u>	
Income Producing Properties	\$ 19.3	\$ 20.3
Land Developments	103.9	123.1
Housing Developments	56.6	61.0
Interest in Property Manager	3.5	4.9
Cash (net of settlement of options)	23.4	23.4
Other Assets(1)	<u>22.9</u>	<u>22.9</u>
Total Assets	229.7	255.5
Mortgages on Income Producing Properties	18.2	18.2
Land and Housing Development Debt	49.9	49.9
Mark-to-Market Adjustment	0.5	0.5
Other Liabilities (including contingencies)	21.5	18.5
Obligation Regarding Vacant Space	13.5	7.1
Transaction Costs	13.6	10.6
Capitalized G&A	<u>11.0</u>	<u>11.0</u>
Pre-Tax Equity	101.4	139.6
Income Tax Adjustment	<u>4.2</u>	<u>(2.4)</u>
After-Tax Equity	<u>\$105.7</u>	<u>\$137.2</u>
Shares Outstanding (assuming option exercises)	16.2	16.2
After-Tax NAV per Share	<u>\$ 6.53</u>	<u>\$ 8.48</u>

Note:

(1) Includes notes receivable from Participating Management.

Valuation Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the fair market value of the Retained Net Assets is in the range of \$6.50 to \$8.50 per Share.

Fairness Opinion

Factors Considered

In considering the fairness of the consideration under the Arrangement, from a financial point of view, to the Minority Shareholders, RBC viewed the Arrangement as a pro rata distribution of the Revenue Properties,

RBC CAPITAL MARKETS

by means of a distribution of units of Dundee REIT (or units of Dundee Properties LP that are exchangeable for units of Dundee REIT) to all holders of Shares, and an acquisition of the Minority Shareholders' interest in the Retained Net Assets by Dundee and Participating Management. As a result, RBC principally considered and relied upon the following:

- i) a comparison of the range of fair market values of the Units under the Dundee REIT Valuation to the implied trading value of the Revenue Properties as part of Dundee Realty prior to the announcement (the "Announcement") on January 27, 2003, that the Company was considering the Arrangement; and
- ii) a comparison of the consideration per Share for the Retained Net Assets under the Arrangement to the range of fair market values of the Retained Net Assets under the Retained Net Assets Valuation.

In RBC's opinion, both of these tests must be met in order for the consideration under the Arrangement to be fair from a financial point of view to the Minority Shareholders.

Comparison of the Dundee REIT Valuation to the Implied Trading Value of the Revenue Properties

The range of fair market values of the Units under the Dundee REIT Valuation of \$20.50 to \$22.00 per Unit exceeds the \$16.10 closing price of the Shares (including the Retained Net Assets) immediately prior to the Announcement.

Comparison of Consideration per Share for the Retained Net Assets to the Retained Net Assets Valuation

The consideration of \$3.00 in cash per Share held by the Minority Shareholders for the Retained Net Assets under the Arrangement is below the range of fair market values of the Retained Net Assets under the Retained Net Assets Valuation of \$6.50 to \$8.50 per Share.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration under the Arrangement is inadequate from a financial point of view to the Minority Shareholders.

Yours very truly,



RBC DOMINION SECURITIES INC.

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APPENDIX I

SECTION 185 OF THE *BUSINESS CORPORATIONS ACT* (ONTARIO)

185.

Rights of dissenting shareholders

- (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,
- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
 - (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
 - (c) amalgamate with another corporation under sections 175 and 176;
 - (d) be continued under the laws of another jurisdiction under section 181; or
 - (e) sell, lease or exchange all or substantially all its property under subsection 184 (3),
- a holder of shares of any class or series entitled to vote on the resolution may dissent. R.S.O. 1990, c. B.16, s. 185 (1).

Idem

- (2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,
- (a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
 - (b) subsection 170 (5) or (6). R.S.O. 1990, c. B.16, s. 185 (2).

Exception

- (3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,
- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
 - (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986. R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

- (4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted. R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

- (5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (5).

Objection

- (6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent. R.S.O. 1990, c. B.16, s. 185 (6).

Idem

- (7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6). R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

- (8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection. R.S.O. 1990, c. B.16, s. 185 (8).

Idem

- (9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights. R.S.O. 1990, c. B.16, s. 185 (9).

Demand for payment of fair value

- (10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,
- (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder dissents; and
 - (c) a demand for payment of the fair value of such shares. R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

- (11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. R.S.O. 1990, c. B.16, s. 185 (11).

Idem

- (12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section. R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

- (13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

- (14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10), and the dissenting shareholder is entitled, upon presentation and surrender to the corporation or its transfer agent of any certificate representing the shares that has been endorsed in accordance with subsection (13), to be issued a new certificate representing the same number of shares as the certificate so presented, without payment of any fee. R.S.O. 1990, c. B.16, s. 185 (14).

Offer to pay

- (15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,
 - (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
 - (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (15).

Idem

- (16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms. R.S.O. 1990, c. B.16, s. 185 (16).

Idem

- (17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made. R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

- (18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (18).

Idem

- (19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow. R.S.O. 1990, c. B.16, s. 185 (19).

Idem

- (20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19). R.S.O. 1990, c. B.16, s. 185 (20).

Costs

- (21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders. R.S.O. 1990, c. B.16, s. 185 (21).

Notice to shareholders

- (22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions. R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

- (23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application. R.S.O. 1990, c. B.16, s. 18 (23).

Idem

- (24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

- (25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (25).

Final order

- (26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b). R.S.O. 1990, c. B.16, s. 185 (26).

Interest

- (27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment. R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

- (28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (28).

Idem

- (29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,
- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
 - (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders. R.S.O. 1990, c. B.16, s. 185 (29).

Idem

- (30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,
- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
 - (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. R.S.O. 1990, c. B.16, s. 185 (30).

Court order

- (31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission. 1994, c. 27, s. 71 (24).

Commission may appear

- (32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation. 1994, c. 27, s. 71 (24).

APPENDIX J
REPORTING PACKAGE REGARDING CHANGE OF AUDITORS

Alberta Securities Commission
British Columbia Securities Commission
Commission des valeurs Mobilières du Québec
The Manitoba Securities Commission
Office of the Administrator, New Brunswick
Nova Scotia Securities Commission
Ontario Securities Commission
The Registrar Securities, Prince Edward Island
Saskatchewan Securities Commission
Securities Commission of Newfoundland and Labrador
The Toronto Stock Exchange

AND TO: Arthur Andersen LLP
Chartered Accountants

AND TO: PricewaterhouseCoopers LLP
Chartered Accountants

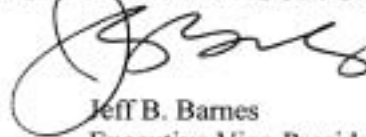
NOTICE

Dundee Realty Corporation (the "Corporation") received on June 14, 2002 the resignation of Arthur Andersen LLP, Chartered Accountants, as auditor of the Corporation effective June 1, 2002. Arthur Andersen resigned as a result of the transaction under which the partners and staff of Arthur Andersen joined Deloitte & Touche LLP. The resignation of Arthur Andersen LLP was considered by the Audit Committee of the Corporation and, on the recommendation of the Audit Committee, the Board of Directors has appointed PricewaterhouseCoopers LLP as auditor of the Corporation.

There were no reservations in the audit reports of Arthur Andersen LLP in respect of the Corporation's consolidated financial statements as at and for the years ended December 31, 2001 and December 31, 2000. In the opinion of the Corporation, there were no reportable events (as defined in National Policy No. 31 of the Canadian Securities Administrators) relating to the audits conducted by Arthur Andersen LLP in respect of the Corporation's consolidated financial statements as at and for the years ended December 31, 2001 and December 31, 2000.

Dated as of this 21st day of June, 2002.

DUNDEE REALTY CORPORATION



Jeff B. Barnes
Executive Vice-President and Chief
Financial Officer



July 11, 2002

PRIVATE AND CONFIDENTIAL

Ontario Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Commission des valeurs mobilières du Québec
Administrator under the Security Frauds Prevention Act, New Brunswick
Nova Scotia Securities Commission
Newfoundland Securities Commission
Registrar of Securities, Prince Edward Island
Government of the Northwest Territories, Northwest Territories
Registrar of Securities, Yukon Territory
Government of Nunavut, Nunavut Territory

Arthur Andersen LLP
Suite 1900
79 Wellington Street West
PO Box 29 TD Centre
Toronto ON M5K 1B8
Tel 416 863 1540
Fax 416 947 7878
www.andersen.com

Dear Sirs/Mesdames:

Re: Dundee Realty Corporation

In accordance with National Policy Statement No. 31, we hereby confirm that we have received and have read the Notice of Change of Auditor of Dundee Realty Corporation dated June 21, 2002 and that we agree with the information contained in such Notice.

Yours truly,

ARTHUR ANDERSEN LLP

A handwritten signature in black ink, appearing to read "FS", with a long horizontal flourish extending to the right.

By:
Frank Sammeroff, FCA

Copies to:
Mr. J. Barnes, Dundee Realty Corporation
Mr. S. Gattesco, PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
5700 Yonge Street
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Telephone +1 416 218 1500
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Direct Tel. +1 416 228 1040
Direct Fax +1 416 218 9751

Alberta Securities Commission
British Columbia Securities Commission
Commission des valeurs Mobilières du Québec
The Manitoba Securities Commission
Office of the Administrator, New Brunswick
Nova Scotia Securities Commission
Ontario Securities Commission
The Registrar Securities, Prince Edward Island
Saskatchewan Securities Commission
Securities Commission of Newfoundland and Labrador
The Toronto Stock Exchange

AND TO: Mr. Jeff Barnes
Executive Vice President and Chief Financial Officer
Dundee Realty Corporation

AND TO: Arthur Anderson LLP
Chartered Accountants

July 10, 2002

Dundee Realty Corporation

Pursuant to Paragraph 4.9 of National Policy No. 31, we hereby confirm our agreement with the information contained in the Notice sent to us by the above-noted company dated June 21, 2002. This confirmation is based on our knowledge of the information at this date.

Yours very truly,



PricewaterhouseCoopers LLP
Chartered Accountants



State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario, Canada M5C 3E1
Telephone 416 365-3535
Facsimile 416 365-6565
www.dundee Realty.com

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Office of the Administrator, New Brunswick
Nova Scotia Securities Commission
Ontario Securities Commission
The Registrar Securities, Prince Edward Island
Saskatchewan Securities Commission
Securities Commission of Newfoundland and Labrador
The Toronto Stock Exchange

AND TO: Arthur Andersen LLP
Chartered Accountants

AND TO: Deloitte & Touche LLP
Chartered Accountants

CONFIRMATION

Dundee Realty Corporation (the "Corporation") hereby confirms that the Audit Committee of the Corporation has reviewed the Notice of Change of Auditor dated June 21, 2002 and the letters from Arthur Andersen LLP, as the former auditor, and PricewaterhouseCoopers LLP, as the successor auditor, related to such Notice.

Dated as of this 19th day of July, 2002.

DUNDEE REALTY CORPORATION

A handwritten signature in black ink, appearing to read 'Jeff B. Barnes', is written over a faint, larger version of the signature.

Jeff B. Barnes
Executive Vice-President and Chief
Financial Officer



DUNDEE
REALTY
CORPORATION