

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF MANITOBA, QUÉBEC AND NEW BRUNSWICK

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF
APPLICATIONS

AND

IN THE MATTER OF
DUNDEE REALTY CORPORATION AND DUNDEE BANCORP INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Manitoba, Québec, and New Brunswick (the "Jurisdictions") has received an application from Dundee Realty Corporation ("DRC") and Dundee Bancorp Inc. ("DBI") in connection with a proposed acquisition (the "Acquisition") of DRC by a corporation to be incorporated as a wholly-owned subsidiary of DBI as part of a transaction that would reorganize the commercial revenue producing properties of DRC into a real estate investment trust to be named "Dundee Real Estate Investment Trust" ("Dundee REIT") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- (a) certain trades to be made in connection with the Acquisition shall not be subject to the requirements under the Legislation of Manitoba, Québec and New Brunswick to be registered to trade in a security (the "Registration Requirement") or to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement"); and
- (b) in Quebec, the Prospectus Requirement will not apply to first trades in securities obtained in connection with the Acquisition;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec has agreed to act as the principal regulator for this application;

AND WHEREAS it has been represented to the Decision Makers that:

1. DRC is a corporation existing under the laws of the Province of Ontario. The head office of DRC is located in Toronto, Ontario.
2. DRC is a diversified public real estate company engaged in the ownership, development and management of commercial revenue producing properties located primarily in Canada. DRC is

also engaged to a lesser degree in the development of land and housing, in Canada and the United States, which will become its principal business following the completion of the Acquisition.

3. DRC is authorized to issue (a) 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 (b) an unlimited number of common shares ("Common Shares"). As at April 30, 2003, there were no preferred shares issued and outstanding and 15,450,839 Common Shares issued and outstanding.

4. The Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "D".

5. DRC is a reporting issuer or is equivalent to a reporting issuer under the laws of each of the provinces of Canada where such a concept exists. DRC is not in default as a reporting issuer in any of the Jurisdictions.

6. DBI is a corporation existing under the laws of the Province of Ontario. The head office of DBI is located in Toronto, Ontario.

7. DBI is a holding company dedicated to wealth management, financial services and real estate. DBI is engaged in the provision of financial services domestically through its 84%-owned subsidiary Dundee Wealth Management Inc. and internationally through its offices in Bermuda and the Cayman Islands. These financial service operations provide a broad range of financial products to individuals, institutions and corporations. DBI also holds and manages its own portfolio of investments, both directly and indirectly through wholly-owned subsidiaries.

8. DBI is a significant shareholder of DRC. As at April 30, 2003, DBI directly or indirectly held 6,909,245 Common Shares, representing approximately 44.7% of the outstanding Common Shares.

9. DBI's subordinate voting shares are listed on the TSX under the symbol "DBC.A".

10. DBI is a reporting issuer or is equivalent to a reporting issuer under the laws of each of the provinces and territories of Canada where such a concept exists. DBI is not in default as a reporting issuer in any of the provinces or territories of Canada.

11. Dundee REIT is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario. The head office of Dundee REIT is located in Toronto, Ontario.

12. Dundee REIT is expected to qualify as a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Tax Act") and the regulations thereunder. However, Dundee REIT will not be a "mutual fund" as defined in applicable securities legislation.

13. Pursuant to the Acquisition, Dundee REIT will indirectly acquire, through Dundee Properties Limited Partnership ("Dundee Properties LP"), substantially all of DRC's commercial revenue

producing properties (the "RP Properties") and an interest in Dundee Management Limited Partnership ("Dundee Management LP") which, after the Acquisition, will carry on the property management business previously carried on by DRC.

14. Dundee REIT is authorized to issue an unlimited number of units of two classes: REIT Units and Special REIT Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B.

15. 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 termination or winding up of Dundee REIT, in the net assets of Dundee REIT remaining after satisfaction of all liabilities. The distribution entitlement of the REIT Units, Series A and 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 Dundee Properties Operating Trust A ("OTA") held by Dundee REIT while, in the case of the REIT Units, Series B, the distribution entitlement is derived from the securities of Dundee Properties Operating Trust B ("OTB") held by Dundee REIT. However, the trustees of Dundee REIT are required to take all necessary steps to ensure that the timing, amount and nature of the distributions on the REIT Units, Series A and REIT Units, Series B will be the same. The REIT Units, Series A and REIT Units, Series B are retractable on demand by the holder thereof.

16. Pursuant to the Acquisition, the Special REIT Units of Dundee REIT will be issued to the holders of Class B Units, Series 1 of Dundee Properties LP ("LP Class B Units, Series 1"). Each Special REIT Unit will entitle the holder thereof to that number of votes at any meeting of unitholders of Dundee REIT which is equal to the number of REIT Units which may be obtained upon the surrender or exchange of the LP Class B Unit, Series 1 to which the Special REIT Unit relates. The Special REIT Units will not transferable separately from the LP Class B Units, Series 1 to which they relate and will be automatically 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. The Special REIT Units will also entitle holders thereof to receive nominal amounts as distributions and upon the liquidation of Dundee REIT.

17. It is intended that Dundee REIT will become a reporting issuer in each of the provinces and territories of Canada where such a concept exists. The TSX has conditionally approved the listing of the REIT Units, Series A subject to the satisfaction by Dundee REIT of the customary requirements of the TSX.

18. Dundee Properties LP is a limited partnership governed by the laws of the Province of Ontario of which Dundee Properties (CYP) Inc. is the sole general partner and DRC and Dundee Consolidated Properties ("DCP"), a limited partnership in which DRC and a wholly-owned subsidiary of DRC are the sole partners, are the initial limited partners. The head office of Dundee Properties LP is located in Toronto, Ontario.

19. Pursuant to the Acquisition, Dundee Properties LP will acquire all of DRC's and DCP's interest in the RP Properties and a limited partnership interest in Dundee Management LP which, after the Acquisition, will carry on the property management business previously carried on by DRC.

20. Dundee Properties LP is authorized to issue two initial units, an unlimited number of two classes of limited partnership units, Class A Units ("LP Class A Units") and Class B Units ("LP Class B Units"), and such other classes of partnership interests as its general partner, Dundee Properties (GP) Inc., 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.

21. The LP Class B Units, Series 1, together with the accompanying Special REIT Units, generally have economic and voting rights equivalent in all material respects to those of the REIT Units, Series A and REIT Units, Series B. In addition, such units may also be surrendered for withdrawal or exchanged in a manner that will result in holders of such units obtaining REIT Units, Series B. The principal terms of the LP Class B Units, Series I are as follows:

(a) the LP Class B Units, Series I 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;

(b) each LP Class B Unit, Series I entitles the holder thereof to receive a distribution from Dundee Properties LP equal to the amount of the distribution declared by Dundee REIT on each REIT Unit, Series B, or, if no such distribution is declared, on each REIT Unit, Series A;

(c) as noted above, each LP Class B Unit, Series I 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 of Dundee REIT; and

(d) except as required by law and in certain specified circumstances where the rights of a holder of LP Class B Units, Series I are affected, holders of the LP Class B Units, Series I are not entitled to vote at any meeting of the limited partners of Dundee Properties LP.

22. A holder of LP Class B Units, Series 1 is entitled to 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. The amount of the distribution elected to be reinvested will be deemed for all purposes under the limited partnership agreement establishing Dundee Properties LP (a) to be paid to and received by such holder on the payment date for such distribution and (b) 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 Dundee REIT Units, Series A determined as of the payment date., Dundee Properties LP will enter in an exchange and support agreement with Dundee REIT, OTB and DRC which, among other things, will allow Dundee Properties LP to acquire the requisite number of REIT Units, Series A or REIT Units, Series B to deliver to holders of LP Class B Units, Series 1 in such circumstances.

23. As an alternative to the reinvestment of distributions from Dundee Properties LP, 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.

24. The LP Class B Units, Series 2 have terms substantially similar to those, attached to the LP Class B Units, Series 1, except that the holders of LP Class B Units, Series 2:

(a) 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;

(b) 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

(c) are not entitled to receive notice of, to attend or vote at meetings of the unitholders of Dundee REIT.

25. The LP Class A Units have terms substantially similar to those attached to the LP Class B Units, Series 2.

26. Dundee Properties LP does not intend to be a reporting issuer in any Jurisdiction.

27. OTA and OTB (the "Operating Trusts") are unincorporated open-ended unit trusts established under the laws of the Province of Ontario. The head offices of the Operating Trusts are located in Toronto, Ontario.

28. The activities of the Operating Trusts are restricted under their declarations of trust. Pursuant to the Acquisition, OTA will acquire LP Class A Units and OTB will acquire one LP Class B Unit, Series 2.

29. Each of the Operating Trusts is authorized to issued an unlimited number of a single class of units (the "OTA Units" in the case of OTA and the "OTB Units" in the case of OTB). Each of the OTA Units represents an equal undivided beneficial interest in OTA and in any distributions by OTA, whether of net income, net realized capital gains or other amounts, and, in the event of

termination or winding up of OTA, in the net assets of OTA remaining after satisfaction of all liabilities. Each of the OTB Units represents an equal undivided beneficial interest in OTB and in any distributions by OTB, whether of net income, net realized capital gains or other amounts, and, in the event of termination or winding up of OTB, in the net assets of OTB remaining after satisfaction of all liabilities.

30. Dundee REIT is, and following the Acquisition will be, the holder of all outstanding OTA Units and OTB Units.

31. Neither OTA nor OTB intends to be a reporting issuer in any Jurisdiction.

32. DRC Holding Corp. ("Holding") will be incorporated as a wholly-owned subsidiary of DBI immediately prior to the effective time, of the, statutory arrangement (the "Arrangement") forming part of the Acquisition under the laws of Province of Ontario. The head office of Holding will be located in Toronto, Ontario.

33. Pursuant to the Acquisition, Holding will acquire all of the issued and outstanding Common Shares.

34. Holding will be authorized to issue various classes of common and preferred shares, the terms and conditions of which will be determined prior to the Acquisition.

35. Dundee Management LP is a limited partnership governed by the laws of the Province of Ontario. The head office of Dundee Management is in Toronto, Ontario.

36. 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 DRC and Dundee Properties LP are the sole shareholders, The initial limited partner of Dundee Management LP is Dundee Properties LP.

37. Pursuant to the Acquisition, Dundee Management LP will acquire DRC's property management business in consideration for a 50% interest in Dundee Management LP.

38. Through their direct and indirect interests in Dundee Management LP, each of Dundee Properties LP and DRC will be, entitled to 50% of the distributions of income from Dundee Management LP.

39. After completion of the Acquisition, Dundee Management LP will manage the RP Properties pursuant to a master property management agreement with Dundee Properties LP, DRC and Dundee REIT. Dundee Management LP will also provide general administrative services to Dundee REIT, the Operating Trusts and Dundee Properties LP

and also to DRC and its affiliates pursuant to two separate administrative services agreements.

40. Dundee Management LP does not intend to be a reporting issuer in any Jurisdiction.

41. Pursuant to the Acquisition, DBI, through Holding, is proposing to acquire DRC and reorganize the RP Properties of DRC into Dundee REIT.

42. The Acquisition will consist of (a) an amalgamation (the "Amalgamation"), (b) the sale of the RP Properties by DRC and its affiliates to Dundee Properties LP and the transfer of the property management business of DRC to Dundee Management LP and (c) the Arrangement. Each of these transactions is described in greater detail below.

43. Pursuant to the Amalgamation, DRC will be amalgamated with three of its wholly-owned subsidiaries, Dundee Development Corporation, Dundee Realty Park Home Holdings Ltd. and Dundee Realty Inc., to continue under the name "Dundee Realty Corporation". References in this letter to "DRC" after the Amalgamation are to the corporation continuing as a result of the Amalgamation and references to "Common Shares" after the Amalgamation refer to the common shares of such amalgamated corporation. The Amalgamation will become effective immediately prior to the transfer of the RP Properties to Dundee Properties LP.

44. Following the Amalgamation, but prior to the transfer of the RP Properties, as discussed below, DRC and DCP will subscribe for an aggregate of 6,909,245 LP Class B Units, Series 1.

45. Following the subscription for LP Class B Units, Series 1, DRC and DCP will transfer, or cause to be transferred, the RP Properties to Dundee Properties LP. The purchase price consideration for the acquisition of the RP Properties will consist of (a) the assumption by Dundee Properties LP of approximately \$510 million in mortgage financing and certain other liabilities, (b) the issuance by Dundee Properties LP of three demand promissory notes in the aggregate principal amount of approximately \$195 million and (c) an addition to the capital account of DRC and DCP in respect of their LP Class B Units, Series 1. The subscription by DRC and DCP for LP Class B Units, Series 1 and the issuance of the demand promissory notes by Dundee Properties LP will occur only in Ontario. The sale of the RP Properties by DRC and DCP to Dundee Properties LP will be completed on the effective date of the Arrangement (the "Effective Date") immediately prior to the commencement of the Arrangement.

46. The property management business of DPC will be transferred by DRC to Dundee Management LP in exchange for a 50% interest in Dundee Management LP and will be completed on the Effective Date immediately prior to the commencement of the Arrangement.

47. The Arrangement will be implemented in a series of transactions pursuant to a plan of arrangement (the "Plan of Arrangement") under Section 182 of the Business Corporations Act (Ontario) (the "OBCA").

48. DRC, DBI, Dundee REIT, OTA, OTB, Dundee Properties LP and Dundee Management LP have entered into an acquisition agreement (the "Acquisition Agreement") dated May 20, 2003, which provides for the implementation of the Acquisition, including the implementation of the Arrangement.

49. The Arrangement will become effective on the Effective Date and, on such date, subject to the terms and conditions of the Acquisition Agreement, the Plan of Arrangement will provide

that certain events will occur, including various trades to give effect to the Arrangement (collectively, the "Arrangement Trades").

50. An annual and special meeting (the "Meeting") of the shareholders of DRC is expected to be held on June 23, 2003 at which the shareholders of DRC will be asked to consider and, if thought fit, pass a special resolution (the "Acquisition Resolution") authorizing the sale of the RP Properties and the property management business as described above and the Arrangement. The annual meeting business of DRC and other matters will also be considered by shareholders at the Meeting. The Acquisition Resolution will require the approval of a 66 2/3% majority of all of the votes cast by shareholders of DRC voting together as a single class at the Meeting. In addition, as the Arrangement would constitute a "going private transaction" in Ontario and Québec, the Acquisition Resolution will require "minority approval" at the Meeting in accordance, with OSC Rule 61-501 and CVMQ Policy Q-27.

51. A management information circular for use in connection with the Meeting containing, among other things, disclosure regarding the details of the Acquisition and the parties to the Acquisition Agreement has been mailed to shareholders of DRC in the manner required by the OBCA and applicable securities legislation.

52. The Arrangement will require, the approval of the Ontario Superior Court of Justice under the OBCA.

53. Subject to the conditions set out in the Acquisition Agreement, including receipt of the requisite shareholder, court, and regulatory approvals, consents and authorizations, the Acquisition is expected to become effective on or about June 30, 2003,

54. Exemptions from the Registration Requirement and the Prospectus Requirement are not available in all of the Jurisdictions for the following trades:

- (a) Arrangement Trades involving non-corporate entities;
- (b) certain Arrangement Trades made in connection with the intermediate steps of the Arrangement; and
- (c) certain Arrangement Trades involving "distributions" (as defined by the Legislation in Québec) by issuers of securities not of their own issue;

55. Following the completion of the Acquisition, DRC and each of the closely-held entities participating in the Acquisition, including Holding, OTA, OTB and Dundee Properties, will apply for an order to cease to be a reporting issuer to the securities regulatory authorities in the each of the provinces of Canada where such a concept exists.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the

Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met,

THE DECISION of the Decision Makers under the Legislation is that,

(a) the Registration Requirement and the Prospectus Requirement under the Legislation in Manitoba, Québec and New Brunswick will not apply to the Arrangement Trades; and

(b) in Québec, the alienation of securities acquired in reliance on the exemptions provided by this Decision shall be distributions under the legislation of Québec except where;

(i) the issuer is and has been a reporting issuer in Québec for the twelve months immediately preceding the trade;

(ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade;

(iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

(iv) if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation; and

for the, purposes of determining the period of time that Dundee REIT has been a reporting issuer in Québec, the period of time that DRC was a reporting issuer immediately before the Arrangement may be included.

DATED June 25, 2003

"Jos^{ph} Deslauriers"
Director of Capital Markets