No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S under the 1933 Act) except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering July 21, 2011

DUNDEE INTERNATIONAL REAL ESTATE INVESTMENT TRUST

$270,000,000
27,000,000 Units

$140,000,000
5.5% Convertible Unsecured Subordinated Debentures due July 31, 2018

This is our initial public offering. We are offering (the "Offering") 27,000,000 units ("Units") at a price of $10.00 per Unit (the "Offering Price"), and $140,000,000 aggregate principal amount of 5.5% convertible unsecured subordinated debentures (the "Debentures") due July 31, 2018 (the "Maturity Date") at a price of $1,000 per Debenture. Prospective investors may subscribe for Units, Debentures or a combination of Units and Debentures. Concurrently with the Offering, Dundee Corporation will purchase 10,000,000 of our Units and Dundee Realty Corporation ("DRC") will purchase 2,000,000 of our Units at the Offering Price. This prospectus also qualifies the distribution of these Units to Dundee Corporation and DRC.

The Debentures will bear interest at an annual rate of 5.5% payable semi-annually on July 31 and January 31 in each year, commencing January 31, 2012. The first interest payment on the Debentures will include accrued and unpaid interest for the period from and including the closing date of the Offering to but excluding January 31, 2012.

We are a newly established real estate investment trust formed to invest in real estate outside of Canada. We were founded by DRC, which will be our asset manager. DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. DRC has identified a stable, income producing portfolio of real estate assets which we will acquire on the closing date of the Offering. These real estate assets consist of 292 office, logistics and other commercial properties, with a residential component, comprising approximately 12.3 million square feet of commercial gross leasable area ("GLA") located in Germany. Approximately 75% of the GLA of the properties is leased to Deutsche Post, which is part of Deutsche Post DHL, one of the world's leading mail and logistics groups and a successor to the German federal post office.

We are an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. Our head and registered office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario M5C 3H1. We will be exempt from the SIFT Rules under the *Income Tax Act* (Canada) (the "Tax Act"), as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the Tax Act in order to be exempt from the SIFT Rules under the Tax Act. As a result, we are not subject to the same restrictions on our activities as those which apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities.

Our objectives are to: (a) manage our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate outside of Canada; (b) build a diversified, growth-oriented portfolio of commercial properties based on an initial portfolio in Germany; (c) capitalize on internal growth and seek accretive acquisition opportunities in our target markets, with an initial focus primarily on Germany, France and the United Kingdom; (d) grow the value of our assets and maximize the long-term value of our Units through the active and efficient management of our assets; and (e) provide predictable and growing cash distributions per Unit, on a tax-efficient basis. We intend to make regular monthly cash distributions to Unitholders derived from our investment in our principal subsidiary. We expect that the initial monthly cash distribution rate will be $0.06667 per Unit. The initial

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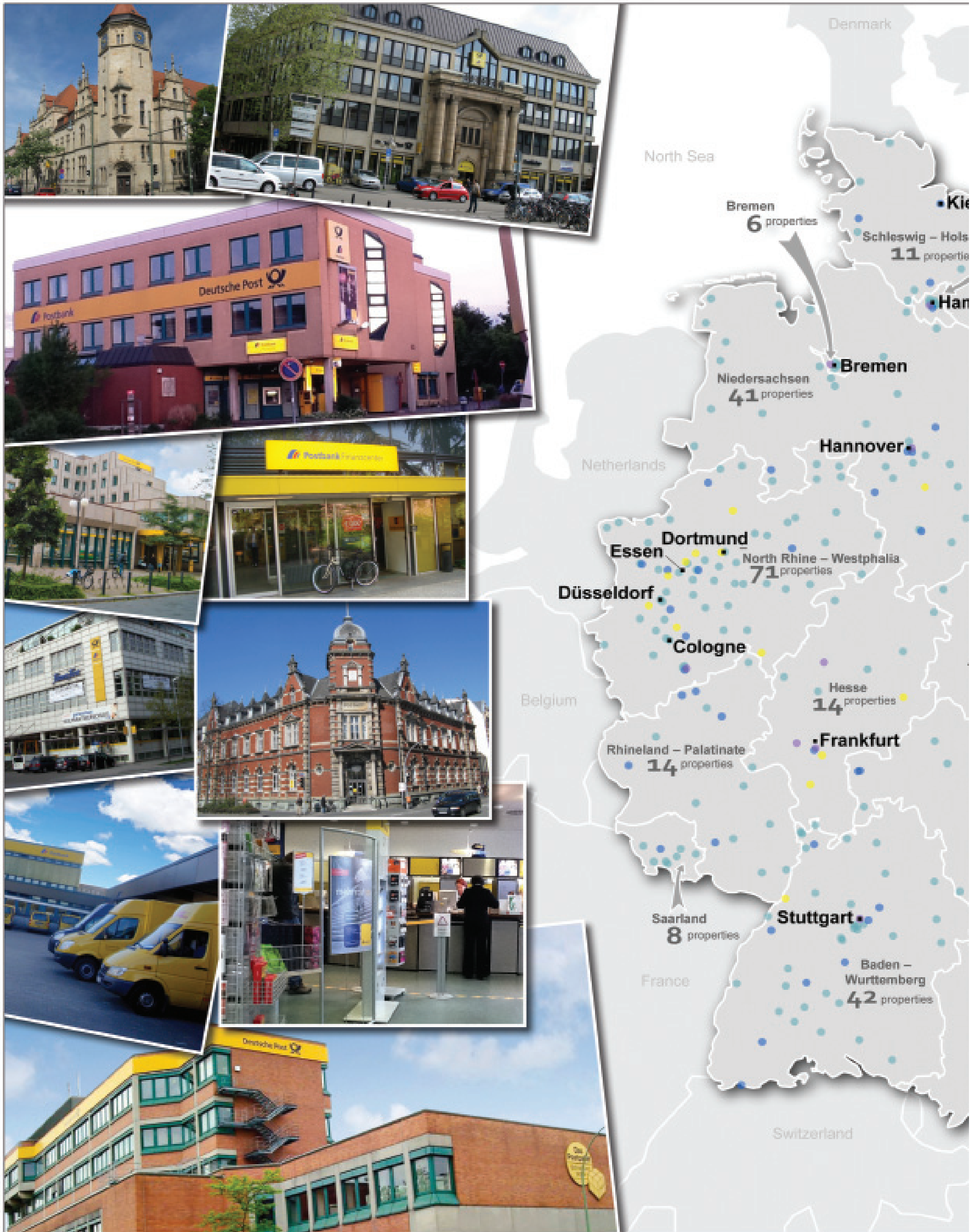
Denmark
North Sea
Bremen
6 properties
Schleswig – Hols
11
Bremen
Niedersachsen
41 properties
Hannover
Netherlands
Dortmund
Essen
North Rhine – Westphalia
71 properties
Düsseldorf
Cologne
Belgium
Hesse
14 properties
Frankfurt
Rhineland – Palatinate
14 properties
Saarland
8 properties
Stuttgart
France
Baden – Wurttemberg
42 properties
Switzerland
Deutsche Post
Postbank

Baltic Sea
Hamburg
7 properties
Mecklenburg – West Pomerania
2 properties
Schwerin
Brandenburg
8 properties
Poland
Berlin
Berlin
2 properties
Magdeburg
Saxony – Anhalt
12 properties
Saxony
16 properties
Dresden
Erfurt
Thuringia
4 properties
Czech Republic
Bavaria
34 properties
Munich
Austria
Deutsche Post

cash distribution, which will be for the period from and including the date of closing of the Offering to August 31, 2011, is expected to be paid on September 15, 2011 to Unitholders of record on August 31, 2011 and is estimated to be $0.06237 per Unit (assuming the closing of the Offering occurs on August 3, 2011). The distribution of cash to Unitholders is not assured. See "Distribution Policy".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units and the Debentures. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before October 7, 2011. There is currently no market through which the Units or Debentures may be sold and purchasers of Units or Debentures may not be able to resell the Units or Debentures purchased under this prospectus. This may affect the pricing of the Units or Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

Conversion Privilege

Each Debenture will be convertible into Units at the option of the holder at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the Business Day immediately preceding the date specified by us for redemption of the Debentures, at a conversion price of $13.00 per Unit (the "Conversion Price"), being a ratio of approximately 76.9231 Units per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the Trust Indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from and including the last interest payment date on their Debentures to but excluding the last record date set by us occurring prior to the date of conversion for determining the Unitholders entitled to receive a distribution on the Units. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Debentures – Conversion Privilege". A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See "Certain Canadian Federal Income Tax Considerations".

The Debentures may not be redeemed by us prior to August 31, 2014, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after August 31, 2014, but prior to August 31, 2016, the Debentures may be redeemed, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the weighted–average trading price of the Units on the principal market on which the Units are quoted for trading for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after August 31, 2016 and prior to the Maturity Date, the Debentures may be redeemed by us, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

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

	Price to the Public	Underwriters' Fee	Net Proceeds to the REIT[(1)]
Per Unit	$ 10.00	$ 0.55	$ 9.45
Per Debenture	$ 1,000	$ 42.50[(2)]	$ 957.50
Total Offering[(3)(4)]	$410,000,000	$20,800,000	$389,200,000

Notes:

(1) After deducting the Underwriters' fee but before deducting expenses of the Offering, estimated to be $3.0 million, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering. The expenses of the Offering do not include other expenses associated with the acquisition of our initial portfolio of real estate assets disclosed elsewhere in this prospectus.

(2) Representing 4.25% of the principal amount of the Debentures.

(3) Does not include the 10,000,000 Units to be purchased by Dundee Corporation or the 2,000,000 Units to be purchased by DRC concurrently with the Offering.

(4) We have granted to the Underwriters an option (the "Over-Allotment Option") exercisable, in whole or in part for a 30-day period following closing of the Offering to purchase up to an aggregate of 4,050,000 additional Units and up to an additional $21,000,000 aggregate principal amount of Debentures on the same terms as set forth above solely to cover over-allotments, if any. The Underwriters have the option to exercise the Over-Allotment Option, if at all, for Units, Debentures or any combination of Units and Debentures. If the Over-Allotment Option is exercised in full with respect to both the Units and the Debentures, the total price to the public will be $471,500,000, the Underwriters' fee will be $23,920,000 and the net proceeds to the REIT will be $447,580,000. This prospectus also qualifies the granting of the Over-Allotment Option and the issuance of Units and Debentures upon the exercise of the Over-Allotment Option. A purchaser who acquires Units and/or Debentures forming part of the Underwriters' over–allocation position acquires such Units and/or Debentures under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum number of securities held	Exercise period	Exercise price
Over – Allotment Option	4,050,000 Units $21,000,000 Debentures	Within 30 days of Closing	$10.00 per Unit $1,000 per Debenture

The prices of the Units and the Debentures were established by negotiation between the REIT and DRC and TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Dundee Securities Ltd., HSBC Securities (Canada) Inc., Brookfield Financial Corp., GMP Securities L.P. and National Bank Financial Inc. (collectively, the "Underwriters").

In connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Units and/or the Debentures at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Units and/or the Debentures at prices lower than that stated above. See "Plan of Distribution".**

There are certain risks inherent in an investment in Units or Debentures and in the activities of the REIT. Prospective investors should carefully consider these risk factors before purchasing Units or Debentures. See "Risk Factors". It is important for an investor to consider the particular risk factors that may affect the international real estate industry and therefore the stability of distributions paid by us on the Units, namely those identified under "Risk Factors". It is important for investors to consider the fact that our assets will be located outside of Canada and will initially be located exclusively in Germany. In addition, approximately 75% of the GLA of our Initial Properties is occupied by a single tenant domiciled outside of Canada.

A return on an investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in Units is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although we intend to make distributions of our available cash to Unitholders, such distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of our properties, currency fluctuations, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units will decline if our distributions are reduced or suspended, and that decline may be significant.

The after-tax return from an investment in Units to unitholders subject to Canadian income tax will depend, in part, on the composition for income tax purposes of distributions paid by us on our Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a unitholder's cost base in the Unit for tax purposes. We estimate that approximately 45% of the monthly cash distributions to be made by the REIT to unitholders will be tax deferred in 2012. The composition may change over time, thus affecting a unitholder's after-tax return. Distributions of the taxable income of the REIT will generally be taxed as ordinary income in the hands of a unitholder. Distributions in excess of the taxable income of the REIT will generally be tax–deferred (and reduce a unitholder's cost base in the Unit for tax purposes). Moreover, the after tax return from an investment in Units may be affected by the level of foreign tax, if any, payable on amounts that give rise to distributable income of the REIT.

The Underwriters, as principals, conditionally offer the Units and the Debentures, subject to prior sale, if, as and when issued by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP, with respect to securities and other matters, and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP, with respect to certain tax matters, and on behalf of the Underwriters by Torys LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved by the Underwriters to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about August 3, 2011, or such later date as we and the Underwriters may agree, but in any event not later than August 17, 2011. It is anticipated that definitive certificates representing the Units will be available at the closing. The Debentures will be issued in "book-entry only" form and will be deposited with CDS Clearing and Depository Services Inc. Beneficial owners of Debentures will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Debentures. See "Plan of Distribution–Book-Based System" and "Description of the Debentures–Book-entry, Delivery and Form".

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

One of the Underwriters, Dundee Securities Ltd., is a related issuer of DRC. DRC is our promoter and will be our asset manager. In addition, Dundee Securities Ltd. is an indirect subsidiary of Dundee Corporation. Dundee Corporation, with its affiliates (including DRC), will hold approximately 26.8% of our Units on a fully-exchanged basis immediately following closing of the Offering. **Accordingly, upon closing of the Offering, we will be a related issuer of Dundee Securities Ltd. for the purposes of applicable Canadian securities legislation.** One of the Underwriters, Brookfield Financial Corp., is acting as financial advisor to Sub-Fund I and, in such capacity, will receive a fee upon closing of the Acquisition in an amount equal to 0.75% of the total value of the Acquisition. Furthermore, an executive officer of Brookfield Financial Corp. will be one of our Trustees. **Accordingly, we may be a connected issuer to Brookfield Financial Corp. for the purposes of applicable Canadian securities legislation.** See "Relationship Between the REIT and Certain Underwriters".

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TERMS USED IN THIS PROSPECTUS

Capitalized terms used in this prospectus are defined under "Glossary of Terms".

Our investment and operating activities are limited, because our operating activities are carried out by our Subsidiaries and the Dundee FCPs. For simplicity, we use terms in this prospectus to refer to our investments and operations as a whole. Accordingly, in this prospectus, unless the context otherwise requires, when we use terms such as "we", "us" and "our", we are referring to the REIT and its Subsidiaries and the Dundee FCPs, as constituted on the date of Closing, giving effect to our acquisition of the Initial Properties. When we use expressions such as "our investments" or "our operations", we are referring to the investments and operations of the REIT and its Subsidiaries and the Dundee FCPs as a whole, in each case, from and after Closing. When we use expressions such as "our properties", "our portfolio", "we own" or "we invest in" in relation to our properties, we are referring to our ownership of and investment in our properties indirectly through our Subsidiaries and, in relation to the Initial Properties, through the Dundee FCPs holding ownership interests in the Initial Properties as described in the following paragraph. When we use expressions such as "we operate", we are referring to our operations through our Subsidiaries and through the Dundee FCPs. When we refer to the "REIT", we are referring only to Dundee International Real Estate Investment Trust.

Legal title to the Initial Properties is currently registered in the name of Lorac in the German land registers. Lorac holds such legal title, acting as management company in its own name but for the account of Lorac Investment Fund – Sub-Fund I ("Sub-Fund I"). Lorac is currently a wholly-owned subsidiary of Caroline Holdings. Following Closing, legal title to the Initial Properties will remain registered in the name of Lorac and will be held by Lorac acting in its own name but for the account of the respective Dundee FCPs. When we refer to "our acquisition" of the Initial Properties or that we will "acquire" the Initial Properties, we are referring to: (i) the reallocation of all of the rights, claims and other interests and all risks and obligations of Sub-Fund I in the Initial Properties to the Dundee FCPs; (ii) our acquisition of the fixtures pertaining to the Initial Properties; and (iii) our acquisition of 50% of the voting and equity shares of Lorac (collectively, the "Acquisition"), as described in this prospectus. See "Our Structure and Formation".

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to Deutsche Post Immobilien GmbH ("DPI"), which is a wholly-owned Subsidiary of Deutsche Post AG. Deutsche Post has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties. See "Initial Properties –Deutsche Post Lease Terms".

When we refer to the Initial Properties being 87% leased (or having a weighted average occupancy rate of 87%) and having a weighted average remaining lease term of approximately seven years, we do not include the GLA rented to the LS Tenant pursuant to the LS Lease Agreement or the term of the LS Lease Agreement, nor do we take into account lease terminations. If the GLA rented to the LS Tenant pursuant to the LS Lease Agreement was included, the Initial Properties would be 90.8% leased. If the termination of the 17 DP Leases effective July 1, 2014 (see "Industry Overview – Deutsche Post Lease Terms – Term, Termination and Renewal Rights") were included, the weighted average lease term would be approximately 6.6 years. See "Our Structure and Formation – LS Lease Agreement".

Except where otherwise indicated, the disclosure contained in this prospectus assumes that: (i) the Offering has been completed; (ii) the Acquisition has been completed; and (iii) the Over-Allotment Option has not been exercised.

The financial statements in respect of the Initial Properties are presented in Euros. Our *pro forma* financial statements and financial forecast are presented in Canadian dollars. In this prospectus, references to "$", "Cdn$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "€" or "Euros" are to Euros. Amounts are stated in Canadian dollars unless otherwise indicated.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by DRC on the basis of its knowledge of the commercial real estate industry in which we will operate (including DRC's estimates and assumptions relating to the industry based on that knowledge). DRC's knowledge of the real estate industry has been developed through its experience and participation in the industry. DRC believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of

this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although DRC believes it to be reliable, neither we nor the Underwriters have independently verified any of the data from DRC or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

In addition, this prospectus includes information regarding Deutsche Post, Deutsche Postbank and Deutsche Telekom that has been obtained from publicly available information. Neither we nor the Underwriters have independently verified any of such information.

NON-IFRS MEASURES

Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI") and gross rental income ("GRI") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO, NOI and GRI are supplemental measures of performance for real estate businesses. We believe that AFFO is an important measure of economic performance and is indicative of our ability to pay distributions, while FFO, NOI and GRI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. See "Non-IFRS Reconciliation" for a reconciliation of NOI, FFO and AFFO to net income. The IFRS measurement most directly comparable to GRI is property revenue.

"FFO" is defined as net income in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities and the Exchangeable Notes; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (vi) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for any differences resulting from recognizing property revenues on a straight-line basis, and (iii) deducting a reserve for normalized maintenance capital expenditures and leasing costs, as determined by us. Other adjustments may be made to AFFO as determined by our Trustees in their discretion.

"NOI" is defined as investment properties revenue after investment properties operating expenses have been deducted (referred to as "Net rental income" in the financial forecast, the carve-out financial statements and the *pro forma* financial statements contained in this prospectus), and adjusting for the NOI of equity accounted entities, joint ventures and non-controlling interests.

"GRI" is definded as all income from a property less the amount of operating and other costs recovered from the tenants of such property pursuant to their respective leases.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities, and GRI should not be construed as an alternative to property revenue, determined in accordance with IFRS as indicators of our performance. Our method of calculating FFO, AFFO, NOI and GRI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer is not being made and will not be made to the public of any Units or Debentures which are the subject of the Offering in that Relevant Member State, other than:

a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

b) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

c) to fewer than 100 (or 150, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive) natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the REIT; or

d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Units or Debentures shall require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision: (a) the expression an "offer to the public" in relation to the Units or Debentures in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Units and Debentures to be offered so as to enable an investor to decide to purchase or subscribe for Units or Debentures, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and (b) the expression "Prospectus Directive" means Directive 2003/71/EC, as amended, and includes any relevant implementing measure in each Relevant Member State (and amendments thereto, including the 2010 PD Amending Directive, to the extent that such directive has been implemented in the Relevant Member State), and (c) the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Units or Debentures may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. The Units and Debentures are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Units and Debentures is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

Switzerland

The Units and Debentures may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange Ltd. ("SIX Swiss Exchange") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issue prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the Units or Debentures or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the Offering, the REIT or the Units or Debentures has been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of Units and Debentures will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of Units and Debentures has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Units or Debentures.

FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking information. Statements other than statements of historical fact contained in this prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives of our Board of Trustees, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities; and statements regarding our future economic performance. We have based these forward-looking statements on our current expectations about future events. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to: (i) our intention to provide stable, sustainable and growing cash flows through investments in commercial real estate outside of Canada and our other stated objectives; (ii) our intention to make regular monthly cash distributions; (iii) our ability to execute our business and growth strategies, including by making additional acquisitions of properties in our target markets; (iv) our forecast financial results for the periods set out in this prospectus under the heading "Financial Forecast"; (v) forecast NOI figures or data derived from forecast NOI relating to individual properties or property type or geography; (vi) the expected tax treatment of our distributions to Unitholders; (vii) our access to available sources of debt and equity financing; (viii) the percentage of our monthly cash distributions to be paid by us to Unitholders that will be tax deferred in 2011; and (ix) the expected level of foreign tax, if any, payable on amounts that give rise to our distributable income.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although we believe that the expectations reflected in such forward-looking information are reasonable, we can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this prospectus as well as the following: (i) we will receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure or distributions; (iv) we will retain and continue to attract qualified and knowledgeable personnel as we expand our portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with the our current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting our operations; (vii) conditions in the international and, in particular, the German real estate market, including competition for acquisitions, will be consistent with the current climate; and (viii) capital markets will provide us with readily available access to equity and/or debt financing.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under "Risk Factors". Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

The reader is further cautioned that the preparation of the financial forecast included in this prospectus under the heading "Financial Forecast" requires us to make certain assumptions, judgments and estimates that affect the forecast of financial results, including assets, revenues, liabilities and expenses. These estimates may change, having either a negative or positive effect on actual results as further information becomes available, and as the economic environment changes.

The forward-looking information contained in this prospectus is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this prospectus speaks as of the date of this prospectus. We do not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause our actual results to differ from current expectations, see "Risk Factors".

The forecast NOI figures or data derived from forecast NOI relating to individual properties or property type or geography has been prepared by us for use by prospective investors in their evaluation of potential investments in us (and in particular in order to provide prospective investors with a greater understanding of the relative importance of each of the Initial Properties) and may not be appropriate for any other purpose.

EXCHANGE RATE INFORMATION

We disclose certain financial information contained in this prospectus in Euros. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for €1, expressed in Canadian dollars, published by the Bank of Canada.

	Three months ended March 31		Year ended December 31		
	2011	2010	2010	2009	2008
	C$	C$	C$	C$	C$
Highest rate during the period	1.392	1.507	1.507	1.692	1.732
Lowest rate during the period	1.285	1.360	1.248	1.494	1.449
Average rate for the period[(1)]	1.350	1.438	1.366	1.586	1.560
Rate at the end of the period	1.380	1.374	1.332	1.500	1.705

(1) Determined by averaging the noon rate on each Business Day during the respective period.

On July 15, 2011, the effective date of the financial forecast, the 10-day average noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars was €1 equals $1.37.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, please refer to the "Glossary of Terms".

THE REIT

The REIT is a newly established real estate investment trust formed to invest in real estate outside of Canada. We were founded by Dundee Realty Corporation ("DRC"), which will be our asset manager. DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. DRC's achievements include having formed Dundee Real Estate Investment Trust ("Dundee REIT"), one of Canada's most successful publicly-traded real estate investment trusts. DRC is also the asset manager of Dundee REIT.

Our objectives are to:

- manage our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate outside of Canada;
- build a diversified, growth-oriented portfolio of commercial properties based on an initial portfolio in Germany;
- capitalize on internal growth and seek accretive acquisition opportunities in our target markets, with an initial focus primarily on Germany, France and the United Kingdom;
- grow the value of our assets and maximize the long-term value of our Units through the active and efficient management of our assets; and
- provide predictable and growing cash distributions per Unit, on a tax-efficient basis.

We will be exempt from the SIFT Rules, taking into account all proposed amendments to such rules, including the amendments proposed on July 20, 2011, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations".

Market Opportunity

We provide an opportunity for investors to gain exposure to commercial real estate outside of Canada, participating together with DRC, as a significant investor, and benefitting from the proven track record of DRC. We intend to provide sustainable monthly cash distributions, while allowing investors to diversify their commercial real estate holdings beyond the Canadian market. Upon Closing, we will be the only publicly-traded real estate investment trust in Canada dedicated to investing in commercial real estate outside of Canada.

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate and infrastructure sectors. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Three of Canada's major pension funds reported having approximately half of their real estate assets outside of Canada, with a particular focus in Europe. Other significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia and South America. We believe that we are providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in non-Canadian commercial real estate.

We believe that there will be attractive opportunities for acquiring commercial real estate outside of Canada, in both the short-term and the long-term, as we anticipate that many owners of real estate assets will be seeking liquidity over the next few years. These owners may include private equity funds that have a fixed investment horizon, lenders that have become owners of real estate (due to foreclosure or otherwise), and financial services firms that we expect will become more limited in their ability to make principal investments or engage in certain investment activities as a result of changes or anticipated changes in regulation following the global financial crisis. We also expect that undercapitalized owners will seek to sell over-leveraged real estate assets as they face upcoming debt maturities and the prospect of making significant capital expenditures on their properties.

We believe that favourable economic conditions in Canada relative to economic conditions in other countries, including the relatively low cost of capital in Canada, have created a window of opportunity to establish a Canadian investment entity to acquire an initial portfolio of real estate assets outside of Canada. This opportunity is available mainly as a result of the recent global financial crisis, which has had a significant impact on the capital markets outside of Canada. In certain countries in Europe, equity and other forms of real estate financing may not be readily available for many potential buyers of real estate. This challenging financing environment has created attractive investment opportunities for well-capitalized buyers seeking to purchase quality real estate assets at attractive yields.

Germany

We believe that the current yields on certain commercial real estate in certain European countries are comparable to the yields currently available from commercial real estate in Canada. As a result, DRC has identified a stable, income producing portfolio of assets in Germany for our initial investment.

Germany has the largest economy of any country in the European Union and has the fourth largest economy in the world, in each case, measured by GDP. Germany's economy recovered significantly during 2010, expanding 3.6% on a price-adjusted basis to a total GDP of €2.5 trillion. In the first quarter of 2011, GDP rose by 1.5% after price, seasonal and calendar adjustments as compared with the previous quarter. Germany's Central Bank is forecasting economic growth rates of 2.0% and 1.5% for 2011 and 2012, respectively. In May 2011, the unemployment rate in Germany was 5.9%. We believe these are positive indicators of a stable and growing economy, one that is appealing to investors seeking stable, sustainable and growing cash flows. In addition, we believe Germany's operating and business environment in the real estate sector is comparable to Canada's in many important ways. For example, in comparing the German market to the Canadian market, we believe there is a similar focus in Germany on building and maintaining long-term relationships with tenants, the brokerage community and lenders, as well as a similar leasing environment.

Target Markets

In addition to investments in the German market, we intend to seek opportunities to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property and a manageable foreign investment regime.

Although we will not be restricted in the geographies in which we may invest outside of Canada, we will have an initial focus primarily on the following target markets:

- Germany, where we believe there will be more opportunities for acquiring additional assets to complement the Initial Properties;
- France and the United Kingdom, whose economies are among the more stable in Europe; and
- other countries in Europe, to the extent that those markets are compelling to us and provide the potential to realize synergies with our portfolio of Initial Properties.

In the future, we believe that countries outside of Europe could become attractive target markets and provide us with additional market and currency diversification, provided that our size and scale makes expansion into those other markets cost effective.

Investment Highlights

Track record and experience of DRC

DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. DRC has a strong management team with extensive experience in real estate investment and asset management and a track record of creating value. DRC's principals have earned a reputation for being capable, smart and creative. DRC's achievements include having formed Dundee REIT, one of Canada's most successful publicly-traded real estate investment trusts. DRC is the asset manager to Dundee REIT, which has provided investors with a solid platform for growth and reliable cash flow. Dundee REIT grew significantly after its formation in 2003, more than doubling its total assets and nearly doubling its total revenues until 2007, when it sold its portfolio of real estate assets in Ontario and Eastern Canada for a total purchase price of approximately $2.4 billion. Dundee REIT has continued to grow significantly since that transaction, having recently surpassed its pre-2007 transaction size, measured by assets, and almost achieved comparable total rental properties revenue. In total, DRC's and Dundee REIT's combined acquisition transaction volume since 1996 is approximately $10 billion.

DRC has long-standing relationships with the German real estate community, some of which originated with DRC's acquisition of the Lehndorff Tandem Group in 1998. As a result of the acquisition of Lehndorff, several thousand German investors became shareholders of DRC, and three German directors joined DRC's board and served until DRC was taken private in 2003. One of these individuals continues to be a trustee of Dundee REIT and will also serve as a Trustee and the Chairman of our Board of Trustees effective upon the Closing. Management of DRC has covered the German real estate market for the past 13 years, building strong relationships with investors, brokers, lenders and other professionals, and resulting in DRC being engaged as the exclusive Canadian asset manager for a major German fund initiator. DRC provides Dundee REIT with German language investor relations capability and conducts annual investor presentations for Dundee REIT in Germany. DRC's relationships and coverage have led to a deep understanding of the German real estate market. See "Relationship with Dundee Realty Corporation"

Initial portfolio with strong operating fundamentals

The Initial Properties are comprised of stable, income-producing properties in Germany. In total, the Initial Properties are 87% leased with a weighted average remaining lease term of approximately seven years. The Initial Properties have minimal lease rollovers in the near term, with only 10.5% of the occupied GLA set to expire before April 2018 (not accounting for lease terminations). The Initial Properties offer growth potential and rental income from Deutsche Post that is indexed to inflation. The leases with Deutsche Post provide us with the ability to recover certain capital expenditures for common area repairs and maintenance up to 6% of the annual net rent under our leases, subject to a cap of 4.5% of the total annual net rent under both our leases and the leases that we are not acquiring from the seller of the Initial Properties. We anticipate that this ability to recover capital expenditures will help lower our capital expenditure costs as a landlord.

Significant credit worthy tenant

Approximately 75% of the GLA of the Initial Properties is leased to Deutsche Post. Upon Closing, we will become the single largest landlord of Deutsche Post in Germany, providing central and strategically placed locations that we believe are difficult to replace. Deutsche Post AG is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. In 2010, Deutsche Post ranked in the top 100 companies worldwide by revenue according to the Fortune Global 500. It generated revenues of approximately €51.5 billion in 2010 and had a market capitalization of approximately €15 billion as of December 31, 2010. The credit ratings of Deutsche Post as of December 31, 2010 were Baal from Moody's and BBB+ from S&P.

Pursuant to a private agreement, 202 of the Initial Properties feature branches of Postbank, originally the banking division of Deutsche Post, allowing for the delivery of integrated financial and postal services. Postbank was formerly a subsidiary of Deutsche Post, but is now controlled by Deutsche Bank. Although Deutsche Post continued to own 39.5% of the shares of Postbank as of December 31, 2010, we understand that Deutsche Post and Deutsche Bank have agreed on a means of transferring Deutsche Post's remaining shares of Postbank to Deutsche Bank by way of an exchangeable bond and the provision of option rights. Postbank is also listed on the Frankfurt Stock Exchange and included in the DAX stock market index. Postbank had a market capitalization of approximately €4.5 billion as of December 31, 2010. The credit ratings of Postbank as of December 31, 2010 were A1 from Moody's, A from S&P and A+ from Fitch.

Central and strategic locations of the Initial Properties

Most of the Initial Properties form an integral part of a logistical network of assets that we believe is of strategic importance to Deutsche Post, Germany's only universal provider of postal services. The Initial Properties are strategically located in major city and town centres, often on a central square in close proximity to the main train station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a neighbouring transportation hub and city centre pedestrian/shopping areas. Central locations provide Deutsche Post with proximity to a large number of addressees, increasing efficiency by having a centrally located starting point for the last leg of mail delivery. We believe that the Initial Properties will continue to be attractive locations for Deutsche Post and Postbank, given the synergies and integration of their services, which benefit from being near central areas and high traffic zones, and given Deutsche Bank's stated strategy of capturing a larger share of the retail banking market through its majority ownership of Postbank.

Initial portfolio provides a platform for growth

Our initial investment provides us with immediate scale and presence in a major European country, including a platform of over $1 billion of assets, an on-the-ground management team with extensive experience and relationships and strategic positioning with a significant credit worthy tenant. This platform will provide us with a base on which to build our portfolio and activities through a combination of additional acquisitions and organic growth, while allowing us to leverage our relationship with Deutsche Post in other markets if the opportunity were to become available to us. In addition, as a publicly-traded entity, we expect to benefit from having greater access to capital, while having already incurred our formation and other one-time start-up costs. We believe that this will provide us with the ability to generate higher Unitholder returns from future acquisitions, since the impact of additional transaction costs will be less significant over a larger asset base.

Business and Growth Strategies

We intend to pursue the following strategies to achieve our objectives:

Invest in stable income-producing properties outside of Canada

Our core strategy is to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. When considering acquisition opportunities, we will look for properties with quality tenancies and strong occupancy, and will assess how acquisition opportunities complement the Initial Properties and have the potential to create additional value. We will pursue acquisition opportunities independently as well as by partnering with existing local operators and by growing with Canadian groups as they expand their reach outside of Canada. The execution of this strategy will be consistently reviewed and will also include engaging in dispositions of properties and optimizing our capital structure.

Diversifying our portfolio to mitigate risk

We will seek to diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. We anticipate that the high profile of this transaction, our relationships and management team in Europe and the expertise of our board members and senior management team will provide us with opportunities to take advantage of real estate transactions available in Germany and other European countries.

Optimize the performance, value and long-term cash flow of the Initial Properties

The Initial Properties will be managed to optimize their performance, value and long-term cash flow. With the acquisition of the Initial Properties, we will gain an established management team of up to 14 employees in Germany and Luxembourg, bringing a history with the Initial Properties, continuity with the major tenant and relationships with other market participants. Leasing, capital expenditure and construction initiatives will be internally managed by us, while an affiliate of Deutsche Post will continue to provide property management services for the Initial Properties and will be responsible for all day to day operations, including the general maintenance, rent collection and administration of operating expenses and tenant leases.

Maintaining and strengthening a conservative financial profile

We will operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. On Closing, we expect our total secured debt to be approximately €328.5 million, or approximately 45% of the market value of the Initial Properties. Our preference will be to ultimately stagger our debt maturities to mitigate our interest rate risk and limit re-financing exposure in any particular period. As we execute our ongoing debt strategy, we anticipate that, by using traditional first mortgages, financing costs for future acquisitions will be lower. See "Financing of the Initial Properties" and "Debt Strategy".

Industry Overview

Germany

Since the age of industrialisation, Germany has been a driver, innovator, and beneficiary of a developing globalized economy. Germany has the largest population and economy (measured by GDP) of any country in the European Union and the fourth largest economy (measured by GDP) in the world. Germany is the world's second largest exporter, with $1.12 trillion exported in 2010, accounting for more than one-third of Germany's national output.

Overall, the German economy has recovered well from the recent global financial crisis, having already exceeded the pre-crisis GDP level of early 2008, with a number of positive growth indicators, including an expected increase in corporate investment, a boost in private consumption as a result of low unemployment, increasing wages and a high level of optimism supported by both corporate and consumer surveys. Deutsche Bundesbank, Germany's Central Bank, is forecasting economic growth rates of 2.0% and 1.5% for 2011 and 2012, respectively. The consumer price index is expected to increase from an estimated 1.1% in 2010 to approximately 1.7% in 2011, and to remain stable at that level in 2012.

Germany's economic recovery is due in large part to an expansion in exports. Despite limited natural resources, Germany has one of the most diverse economies in the world and is among the world's largest and most technologically advanced producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food and beverages, shipbuilding and textiles. The Fortune Global 500 reports that, of the world's 500 largest companies (measured by revenue) that are listed on a stock market, 37 are headquartered in Germany. In 2010, these included Allianz, BASF, BMW, Daimler, Deutsche Post, Deutsche Telekom, E.ON, Metro, Munich Re, Siemens and Volkswagen, all ranking in the top 100 companies worldwide by revenue. See "Industry Overview".

Initial Properties

Overview

The Initial Properties are a portfolio consisting of 292 office, logistics and other commercial properties, with a residential component, comprising approximately 12.3 million square feet of commercial GLA located in Germany. Approximately 91% of the GRI of the Initial Properties is generated by 250 properties, comprising approximately 10.9 million square feet, located in Western Germany and in Berlin. The remaining 42 properties, comprising approximately 1.5 million square feet, are located in Eastern Germany and account for approximately 9% of the total GRI of the Initial Properties.

In total, the Initial Properties are 87% leased with a weighted average remaining lease term of approximately seven years, offering both a stable lease rollover profile and upside potential from new leasing opportunities.

The Initial Properties are strategically located in major city and town centres, often on a central square in close proximity to the main train station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a neighbouring transportation hub and city centre pedestrian/shopping areas. Given their central and strategic locations, we believe that these properties will continue to be attractive to Deutsche Post, as well as other service oriented office and retail tenants. We believe that the current replacement cost of most of the Initial Properties would represent a significant premium to our purchase price of €60 per square foot of space.

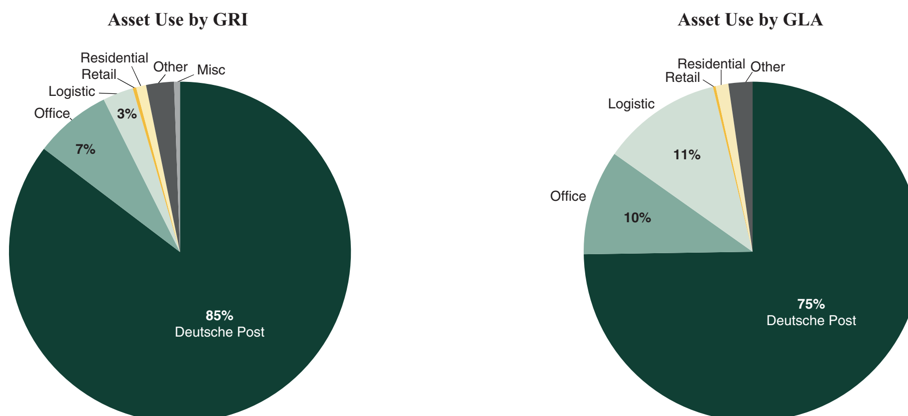
Portfolio and Seller

We will acquire the Initial Properties on Closing for total consideration of approximately €736 million, or approximately €60 per square foot of GLA. The seller is Lorac Investment Management S.à r.l., acting in its own name but for the account of Sub-Fund I. The Initial Properties are a subset of a portfolio of approximately 1,200 properties (referred to as the "Caroline Portfolio") that Sub-Fund I acquired from Deutsche Post in July 2008. The acquisition of the Caroline Portfolio was structured as a sale-and-leaseback arrangement pursuant to which Deutsche Post leased the majority of the properties from the purchaser as part of the transaction. After giving effect to the Acquisition, we understand that Sub-Fund I will hold an ownership interest in less than 500 of the properties originally forming part of the Caroline Portfolio. Sub-Fund I has advised us that it intends to sell its remaining interests in the Caroline Portfolio as soon as it is commercially reasonable for it to do so in line with its original investment horizon.

The Initial Properties were selected and marketed by Sub-Fund I as a portfolio of real estate assets, and were not individually selected by DRC. However, we believe that the Initial Properties are among the higher quality assets within the Caroline Portfolio due to their larger size, preferred locations and greater significance to Deutsche Post than the residual properties in the Caroline Portfolio. We believe that the properties comprising the Initial Properties generate, on average, five times greater GRI than the residual properties in the Caroline Portfolio. The Initial Properties also have a greater number of Deutsche Postbank branches, lower vacancy rates, and predominantly longer lease terms than the residual properties in the Caroline Portfolio. As a result, we consider the Initial Properties to be an ideal platform on which to build, and the cornerstone of our long-term strategy.

Asset Type

Approximately 75% of the GLA, generating approximately 85% of the GRI, of the Initial Properties is leased to Deutsche Post. The following graphs provide a breakdown of the GLA and the GRI for the Initial Properties by tenant use.



Deutsche Post

The Initial Properties were formerly owned by Deutsche Post. Deutsche Post contributes at least 90% of the GRI in 172 of the Initial Properties and between 50% to 90% of the GRI in 105 of the Initial Properties, leaving only 15 Initial Properties where less than 50% of the GRI is contributed by Deutsche Post. The rent under the leases with Deutsche Post is indexed to inflation if the consumer price index for Germany changes (up or down) by more than 4.7 index points generally as compared to the index at the commencement of the lease.

Deutsche Post is an integral part of the German economy and continues to be important to day-to-day life in Germany. As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents. For instance, Deutsche Post is required by law to make deliveries to every German address, six days a week, with 95% of all letters and 80% of all parcels having to be delivered within two business days.

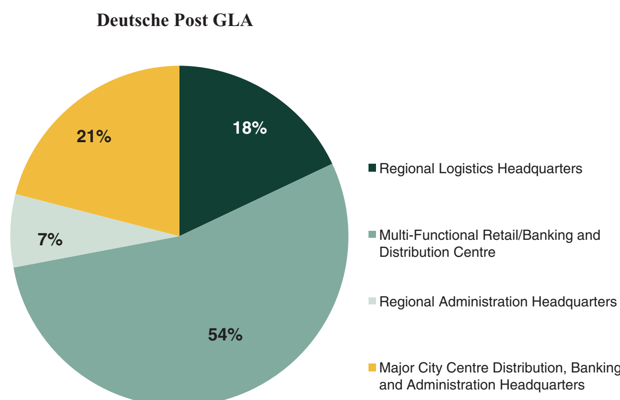
Deutsche Post is Europe's largest postal company. Deutsche Post employs approximately 470,000 people in more than 200 countries and territories. On a daily basis, Deutsche Post serves two to three million customers through its retail outlets and delivers 66 million letters and 2.6 million parcels within Germany via mail and parcel sorting facilities. Its infrastructure network in Germany includes 82 mail centres, 33 parcel centres, 20,000 retail outlets and points of sale.

As a result of the high barriers to entry, Deutsche Post holds a dominant 87% market share of the €6.0 billion domestic mail communication market in Germany. In addition, Deutsche Post holds a 39% market share of the €6.8 billion domestic parcel market. Deutsche Post's position in the parcel market provides an opportunity for growth as businesses and consumer activities in online commerce continue to expand, thereby increasing non-letter mail volumes.

Deutsche Post is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. In 2010, Deutsche Post ranked in the top 100 companies worldwide by revenue according to the Fortune Global 500. It generated revenues of approximately €51.5 billion in 2010 and had a market capitalization of approximately €15 billion as of December 31, 2010. The credit ratings of Deutsche Post as of December 31, 2010 were Baa1 from Moody's and BBB+ from S&P.

The GLA of the Initial Properties occupied by Deutsche Post can be categorized as follows:

Deutsche Post GLA



Strategic Importance of Deutsche Post Locations

We believe that the Initial Properties are of strategic importance to the operations of Deutsche Post as Germany's only provider of universal postal services and a major German and international provider of courier and parcel delivery services. Most of the Initial Properties contain a mail/parcel sorting component and form what we believe is an integral part of Deutsche Post's logistical network. Approximately 75% of the Initial Properties are multi-functional and occupied or used by more than one of Deutsche Post's business divisions or business partners, including Postbank.

As the former owner of the portfolio, Deutsche Post either acquired or developed each of the Initial Properties (except for one building that was developed for Deutsche Post by Sub-Fund I) prior to their sale in 2008. We believe that Deutsche Post's choice of central locations was driven by Deutsche Post's desire to be in proximity to as large a number of addressees as possible. Mail and parcel delivery services operate from these locations and are carried out by Deutsche Post personnel on foot as well as by bicycle, motorcycle and branded small vans and cars, each covering a prescribed route. A centrally located starting point for the last leg of delivery maximizes the catchment area and improves efficiency of delivery due to smaller distances to the boundaries of the service area and a relatively higher population density in the immediately surrounding area.

Postbank

Postbank offers retail financial services in their branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. There are 4,500 branches of Deutsche Post in which selected Postbank financial services are available. Postbank offers comprehensive financial services as well as postal services in its own 1,100 branches. Pursuant to a private agreement, 202 of the Initial Properties feature branches of Postbank, allowing for the delivery of integrated financial and postal services.

With 14 million active domestic customers, 20,000 employees and total assets of €211 billion, Deutsche Postbank is one of Germany's major financial services providers. Postbank's focus is on its retail business with private customers. Postbank has the densest branch network of any bank in Germany, which makes it conveniently accessible and attractive to its retail banking customer base.

Deutsche Postbank is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. Postbank was formerly a subsidiary of Deutsche Post, but is now controlled by Deutsche Bank. Although Deutsche Post continued to own 39.5% of the shares of Postbank as of December 31, 2010, we understand that Deutsche Post and Deutsche Bank have agreed on a means of transferring Deutsche Post's remaining shares of Postbank to Deutsche Bank by way of an exchangeable bond and the provision of option rights. Postbank had a market capitalization of approximately €4.5 billion as of December 31, 2010. The credit ratings of Postbank as of December 31, 2010 were A1 from Moody's, A from S&P and A+ from Fitch.

As Postbank's presence in Deutsche Post locations is a significant component of Postbank's retail branch network, we believe that the Initial Properties will continue to be attractive to Postbank.

Geographic Distribution

The table below highlights the geographic diversification of the Initial Properties as of March 31, 2011. Please refer to Appendix A for a complete list of the Initial Properties.

Region	Total GLA (in sq. ft.)	Percentage of Total GLA of the Initial Properties (in sq. ft.)	Weighted Average Occupancy Rate
North Rhine – Westphalia	2,760,686	22.4%	91%
Baden – Wurttemberg	1,622,879	13.2%	92%
Bavaria	1,461,238	11.9%	86%
Niedersachsen	1,591,646	12.9%	79%
Hesse	1,041,499	8.5%	90%
Saxony	643,408	5.2%	75%
Schleswig – Holstein	535,619	4.3%	95%
Rhineland – Palatinate	500,262	4.1%	86%
Hamburg	485,757	3.9%	88%
Saarland	482,670	3.9%	91%
Saxony – Anhalt	449,226	3.6%	85%
Bremen	320,885	2.6%	82%
Brandenburg	141,370	1.1%	88%
Thuringia	127,266	1.0%	72%
Mecklenburg – West Pomerania	101,023	0.8%	87%
Berlin	53,483	0.4%	88%
Total	12,318,916	100.0%	87%

Occupancy and Leasing

The current weighted average occupancy rate across the Initial Properties is 87%, representing 10.7 million square feet out of a total GLA of 12.3 million square feet.

Since Sub-Fund I's acquisition of the Caroline Portfolio in 2008, the weighted average occupancy has continued to increase every year from 78.8% in 2008, 79.3% in 2009, 84.0% in 2010 and 86.5% as at the end of March 2011.

Lease Maturities

The weighted average remaining term of all leases is approximately seven years. The leases with Deutsche Post, which generally expire on June 30, 2018 (with an option by Deutsche Post generally to extend the term until June 30, 2023), comprise approximately 75% of the GLA and account for more than 85% of the GRI of the Initial Properties.

LS Lease Agreement

On Closing, the Dundee FCPs and the LS Tenant will enter into the LS Lease Agreement, pursuant to which the LS Tenant will pay monthly rental instalments to the Dundee FCPs, each acting as landlord. The term of the LS Lease Agreement will commence at Closing for a period of three years. Under the LS Lease Agreement, the LS Tenant will pay an aggregate amount of €6,672,879 to the Dundee FCPs. An amount of €5,082,111 will be payable by the tenant during the first year of the LS Lease Agreement, €1,510,473 will be payable in the second year and €80,295 will be payable in the third year. The GLA of the leased premises under the LS Lease Agreement is equivalent to approximately 447,400 square feet. Pursuant to the LS Lease Agreement, the Dundee FCPs have the right to terminate up to 50% of the space leased under the LS Lease Agreement with a proportionate reduction in the rent payable by the LS Tenant under the LS Lease Agreement. See “Our Structure and Formation – LS Lease Agreement”.

Real Estate Management and Advisory Services

We have entered into several arrangements to ensure that our operations are properly managed in all geographic jurisdictions.

- Overall responsibility for asset management, including the day-to-day oversight of the REIT and execution of our corporate strategy, will be contracted to DRC.
- Portfolio management for the Initial Properties will be provided internally by Dundee Lux Manager, predominantly by a team of employees who have years of experience managing the Initial Properties through previous employment with Hudson Advisors Lux or Hudson Advisors Germany.
- Property management of the Initial Properties will be performed by DP Real Estate, a company owned by Deutsche Post. DP Real Estate is an experienced operator and has a long history managing the Initial Properties.
- Administrative services such as corporate reporting, treasury and compliance will be performed by a combination of experienced service providers in Canada, Luxembourg and Germany. They include DRMC (a subsidiary of Dundee REIT), DRC, Lorac, Hudson Advisors Lux and Hudson Advisors Germany. Services will be provided for a fee at least sufficient to reimburse the service providers for their expenses.

Non-IFRS Reconciliation

The following table reconciles forecast net income to FFO and AFFO (See "Non-IFRS Measures" and "Financial Forecast").

(in thousands of Canadian dollars, except per Unit amounts)	Three-month periods ending				Twelve-month period ending
	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	June 30, 2012
Net Income for the period	$ 1,775	$ 8,664	$ 8,888	$ 9,100	$28,427
Add/(Deduct)					
Acquisition costs	6,389	—	—	—	6,389
Amortization of tenant incentives	35	156	228	312	731
Fair value adjustment on investment properties	—	—	—	—	—
Interest on Exchangeable Notes	1,600	1,600	1,600	1,600	6,400
Deferred income taxes	974	954	943	930	3,801
Fair value adjustment on financial instruments	—	—	—	—	—
FFO	10,773	11,374	11,659	11,942	45,748
Add/(Deduct):					
Leasing cost reserve	(1,025)	(1,025)	(1,025)	(1,025)	(4,100)
Capital expenditure reserve	(600)	(600)	(600)	(600)	(2,400)
Accretion of debenture conversion feature	190	194	198	202	784
Amortization of financing costs	613	619	626	633	2,491
Deferred compensation expense	132	132	132	132	528
AFFO	$10,083	$10,694	$10,990	$11,284	$43,051
FFO/Unit[(1)]	$ 0.23	$ 0.24	$ 0.24	$ 0.25	$ 0.96
AFFO/Unit[(1)]	$ 0.21	$ 0.22	$ 0.23	$ 0.24	$ 0.90
Net Income/Unit[(1)]	$ 0.04	$ 0.22	$ 0.22	$ 0.23	$ 0.71

(1) Forecast FFO and AFFO per Unit amounts are based on 47,800,000 Units including Units issuable upon the exchange of Exchangeable Notes but not including Units issuable upon conversion of the Debentures. Forecast Net Income per Unit amounts are based on 39,800,000 Units excluding Units issuable upon exchange of the Exchangeable Notes and upon conversion of the Debentures.

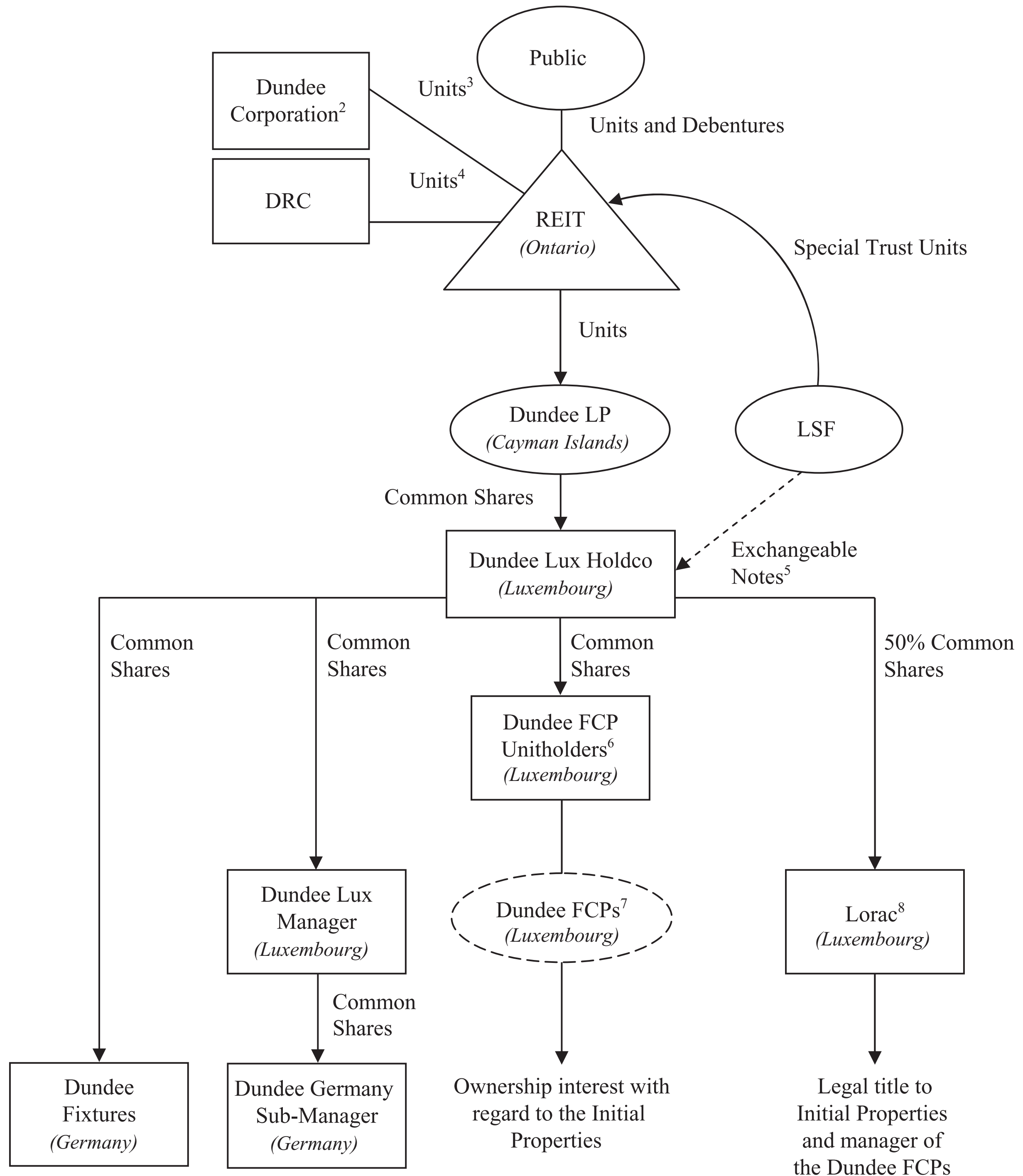
Financial Forecast

(in thousands of Canadian dollars)	Three-month periods ending				Twelve-month period ending
	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	June 30, 2012
Investment properties revenue	$34,929	$35,482	$35,945	$36,161	$142,517
Investment properties operating expenses	14,741	14,753	15,043	15,049	59,586
Net rental income	20,188	20,729	20,902	21,112	82,931
Other income and expenses					
Portfolio management	1,194	1,194	1,194	1,194	4,776
General and administrative	943	943	943	943	3,772
Fair value adjustment to investment properties	—	—	—	—	—
Interest	8,913	8,974	8,934	8,945	35,766
Fair value adjustment to financial instruments	—	—	—	—	—
	9,138	9,618	9,831	10,030	38,617
Acquisition costs	6,389	—	—	—	6,389
Income before taxes	2,749	9,618	9,831	10,030	32,228
Income tax expense					
Current	—	—	—	—	—
Deferred	974	954	943	930	3,801
Net Income	1,775	8,664	8,888	9,100	28,427
Other comprehensive income					
Foreign currency translation adjustment	—	—	—	—	—
Comprehensive income for the period	$ 1,775	$ 8,664	$ 8,888	$ 9,100	$ 28,427

See "Non-IFRS Measures" and "Financial Forecast".

Simplified Organizational Structure

Upon completion of the Offering and the Acquisition, our simplified organizational structure will be as follows[1].



(1) Except as noted, ownership interests below the REIT are 100%.
(2) Dundee Corporation holds common shares of DRC, representing approximately 70% of the voting rights of DRC.
(3) Dundee Corporation will hold 10,000,000 Units representing 20.9% of the outstanding Units (not including the Units held by DRC) on a fully-exchanged basis.
(4) DRC will hold 2,800,000 Units representing 5.9% of the outstanding Units on a fully-exchanged basis.
(5) Exchangeable into 8,000,000 Units representing 16.7% of the outstanding Units on a fully-exchanged basis, in accordance with the terms of the Exchange Agreement. See "Key Investors – Investment by LSF".
(6) There are 15 separate Dundee FCP Unitholders.
(7) There are 15 separate Dundee FCPs.
(8) The remaining 50% of the common shares of Lorac are held by Caroline Holdings. Lorac also holds legal title to the Caroline Portfolio and is manager of Sub-Fund I.

The Offering

Offering: 27,000,000 Units (31,050,000 Units if the Over-Allotment Option is exercised in full).

$140,000,000 aggregate principal amount of Debentures ($161,000,000 aggregate principal amount of Debentures if the Over-Allotment Option is exercised in full).

Offering Size: $270,000,000 (Units).

$140,000,000 (Debentures).

Offering Price: $10.00 per Unit.

$1,000 per Debenture.

Over-Allotment Option: We have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the closing of the Offering, to purchase up to an additional 4,050,000 Units and/or up to an additional $21,000,000 aggregate principal amount of Debentures on the same terms as the Offering solely to cover over-allotments, if any.

Use of Proceeds: The net proceeds of the Offering are estimated to be approximately $386,250,000 ($444,630,000 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of the Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. In addition, we will receive proceeds of $120 million from the sale of Units to Dundee Corporation and DRC. See "Key Investors".

The aggregate amount payable in connection with the Acquisition is €736.5 million, excluding acquisition costs of €4.7 million. See "Our Structure and Formation". Of this amount, €328.5 million, excluding €7.0 million of related financings costs, will be funded from the proceeds of the Term Loan Credit Facility and approximately €58.4 million will be funded from the proceeds of the Exchangeable Notes. See "Financing of the Initial Properties" and "LSF Interest". As a result, the remaining €361.4 million (approximately $494.9 million, using the 10-day average noon rate of exchange on July 15, 2011) payable in connection with the Acquisition will be funded from the proceeds of the Offering and the proceeds of the sale of Units to Dundee Corporation and Units to DRC. The balance of approximately $11.3 million will be used for general trust purposes.

We will use the net proceeds from the sale of Units and Debentures by us on exercise of the Over-Allotment Option for general trust purposes.

REIT Unit Attributes: The REIT is authorized to issue an unlimited number of Units and Special Trust Units. Each Unit represents an undivided beneficial interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (a) an equal participation in distributions of the REIT, (b) rights of redemption and (c) one vote for each whole Unit held at meetings of Unitholders. Special Trust Units do not have any entitlement in the REIT with respect to distributions but do entitle the holder to one vote per Special Trust Unit at any meeting of the Unitholders of the REIT. Special Trust Units may only be issued in connection with or in relation to securities exchangeable for Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Trust Units will not be transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities. See "Declaration of Trust and Description of REIT Units".

Debenture Attributes: We are authorized to issue $161,000,000 aggregate principal amount of 5.5% convertible unsecured subordinated debentures due July 31, 2018 at a price of $1,000 per Debenture. The Debentures will bear interest at an annual rate of 5.5% payable semi-annually on

July 31 and January 31 in each year, commencing January 31, 2012. The first interest payment on the Debentures will include accrued and unpaid interest for the period from and including the closing date of the Offering to but excluding January 31, 2012. Each Debenture will be convertible into Units at the option of the holder at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the Business Day immediately preceding the date specified by us for redemption of the Debentures, at a conversion price of $13.00 per Unit, being a ratio of approximately 76.9231 Units per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the Trust Indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from and including the last interest payment date on their Debentures to but excluding the last record date set by us occuring prior to the date of conversion for determining the Unitholders entitled to receive a distrbution on the Units. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Debentures – Conversion Privilege".

Key Investors: On Closing, Dundee Corporation and its Affiliates (including DRC) will hold 12,800,000 Units, representing approximately 26.8% of the outstanding Units on a fully-exchanged basis (approximately 24.7% if the Over-Allotment Option is exercised in full). See "Relationship with Dundee Realty Corporation" and "Key Investors".

LSF Interest: On Closing, LSF will hold the Euro equivalent of $80 million (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros) principal amount of Exchangeable Notes exchangeable for 8,000,000 Units, representing approximately 16.7% of the outstanding Units on a fully exchanged basis (approximately 15.4% if the Over-Allotment Option is exercised in full). See "LSF Interest".

Distribution Policy: We intend to make regular monthly cash distributions to Unitholders derived from our investment in Dundee LP. We expect that the initial monthly cash distribution rate will be $0.06667 per Unit. The initial cash distribution, which will be for the period from and including the date of Closing to August 31, 2011, is expected to be paid on September 15, 2011 to Unitholders of record on August 31, 2011 and is estimated to be $0.06237 per Unit (assuming the Closing occurs on August 3, 2011). We estimate that the initial annual distribution rate (including interest on the Exchangeable Notes) will represent approximately 90% of estimated AFFO for the 12 months ended June 30, 2012. Notwithstanding our distribution policy, the Trustees retain full discretion with respect to timing and quantum of distributions. See "Distribution Policy".

Distribution Reinvestment Plan: The REIT has a distribution reinvestment and unit purchase plan entitling holders of Units to reinvest all cash distributions made by us in additional Units. The price at which Units are acquired for DRIP participants is determined by the REIT but is generally a price per Unit calculated by reference to a five day weighted average closing price of the Units on the stock exchange on which the Units are listed preceding the relevant Distribution Date. Participants electing to reinvest cash distributions in Units pursuant to our DRIP receive a further "bonus" distribution equal to 4% of the amount of each cash distribution that they reinvest, which further distribution is also reinvested in Units. Participants may also make optional cash purchases of additional Units pursuant to the DRIP in a maximum amount of $250,000 per year. Participants in the DRIP do not receive a bonus distribution of Units in connection with any such optional cash purchases. We may amend, suspend or terminate the DRIP at any time. See "Distribution Policy – DRIP".

Risk Factors:

An investment in Units or Debentures is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Our cash distributions are not guaranteed and will be based, in part, upon the financial performance of our properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units or Debentures, include:

Risks relating to the REIT and its business

- Risks inherent in the real estate industry may adversely affect our financial performance;
- Concentration of tenants may adversely affect our financial performance;
- A significant number of DP Leases expire in 2018;
- Early termination of leases may adversely affect our financial performance;
- Environmental contamination on properties may expose us to liability and adversely affect our financial performance;
- Several of the Initial Properties had or currently have fuel storage systems
- Our co-ownership of Lorac with a third party may limit our ability to manage the Dundee FCPs;
- We may incur significant capital expenditures and other fixed costs;
- Financing risks, leverage and restrictive covenants may limit our ability for growth;
- Changes in government regulations may affect our investment in the Initial Properties;
- An investment in us is subject to certain tax considerations;
- Tax laws or other law or government incentive programs or regulations may change;
- Tax considerations relating to FAPI may affect our financial condition;
- German taxes may affect our cash flows, financial condition and distributions to Unitholders;
- Failure to receive deductions for interest payments may adversely affect our cash flows, results of operations and financial condition;
- Changes in currency exchange rates could adversely affect our business
- Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments
- Acquisitions of properties may expose us to undisclosed defects and obligations
- Losses of key personnel may affect our ability to operate
- Our Trustees, executive officers and DRC may be put in a position of conflict as a result of their positions held and interests in other businesses
- We rely on DRC for asset management services
- Concentration of properties in Germany may adversely affect our financial performance
- Competition in the German real estate market may adversely affect our financial performance;
- We may not be able to source suitable acquisitions;
- Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects;

- A change in indexation for inflation may affect our financial condition;
- Investments through joint venture, partnership and co-ownership agreements may restrict our ability to deal with a property or expose us to liability;
- We may not be able to fully manage internal controls;
- Dispositions of certain properties are subject to pre-emptive rights, rights of first refusals or options to purchase;
- Regulatory requirements may limit a future change of use for some Initial Properties; and
- Restitution claims may affect our ability to manage the Initial Properties and affect our revenues.

Risks Relating to the Offering and the Acquisition

- Absence of a prior public market and determination of Offering Price;
- The ability of Unitholders to redeem Units is subject to restrictions on redemption;
- Subordination of the Units may limit our ability to pay distributions;
- Cash distributions are not guaranteed and may fluctuate with our financial performance;
- Ownership of Units by Dundee Corporation and DRC may affect the market price of the Units;
- Historical carve-out financial information and pro forma financial information may not be indicative of future results;
- Our financial forecast may not be accurate;
- Unitholders do not have legal rights normally associated with ownership of shares of a corporation;
- Unitholder liability may arise;
- The issuance of additional REIT Units will result in dilution;
- Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination;
- The Debentures are unsecured, subordinated obligations of the REIT;
- The effect of certain transactions on the Debentures could substantially lessen or eliminate the value of the conversion privilege; and
- Certain closing risks may affect our financial condition.

See “Risk Factors”.

THE REIT

Overview

The REIT is a newly established real estate investment trust formed to invest in real estate outside of Canada. We were founded by Dundee Realty Corporation ("DRC"), which will be our asset manager. DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. DRC's achievements include having formed Dundee Real Estate Investment Trust ("Dundee REIT"), one of Canada's most successful publicly-traded real estate investment trusts. DRC is also the asset manager of Dundee REIT.

Our objectives are to:

- manage our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate outside of Canada;
- build a diversified, growth-oriented portfolio of commercial properties based on an initial portfolio in Germany;
- capitalize on internal growth and seek accretive acquisition opportunities in our target markets, with an initial focus primarily on Germany, France and the United Kingdom;
- grow the value of our assets and maximize the long-term value of our Units through the active and efficient management of our assets; and
- provide predictable and growing cash distributions per Unit, on a tax-efficient basis.

We will be exempt from the SIFT Rules, taking into account all proposed amendments to such rules, including the amendments proposed on July 20, 2011, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations".

Market Opportunity

We provide an opportunity for investors to gain exposure to commercial real estate outside of Canada, participating together with DRC, as a significant investor, and benefitting from the proven track record of DRC. We intend to provide sustainable monthly cash distributions, while allowing investors to diversify their commercial real estate holdings beyond the Canadian market. Upon Closing, we will be the only publicly-traded real estate investment trust in Canada dedicated to investing in commercial real estate outside of Canada.

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate and infrastructure sectors. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Three of Canada's major pension funds reported having approximately half of their real estate assets outside of Canada, with a particular focus in Europe. Other significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia and South America. We believe that we are providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in non-Canadian commercial real estate.

We believe that there will be attractive opportunities for acquiring commercial real estate outside of Canada, in both the short-term and the long-term, as we anticipate that many owners of real estate assets will be seeking liquidity over the next few years. These owners may include private equity funds that have a fixed investment horizon, lenders that have become owners of real estate (due to foreclosure or otherwise), and financial services firms that we expect will become more limited in their ability to make principal investments or engage in certain investment activities as a result of changes or anticipated changes in regulation following the global financial crisis. We also expect that undercapitalized owners will seek to sell over-leveraged real estate assets as they face upcoming debt maturities and the prospect of making significant capital expenditures on their properties.

We believe that favourable economic conditions in Canada relative to economic conditions in other countries, including the relatively low cost of capital in Canada, have created a window of opportunity to establish a Canadian investment entity to acquire an initial portfolio of real estate assets outside of Canada. This opportunity is available mainly as a result of the recent global financial crisis, which has had a significant impact on the capital markets outside of Canada. In certain countries in Europe, equity and other forms of real estate financing may not be readily available for many potential buyers of real estate. This challenging financing environment has created attractive investment opportunities for well-capitalized buyers seeking to purchase quality real estate assets at attractive yields.

Germany

We believe that the current yields on certain commercial real estate in certain European countries are comparable to the yields currently available from commercial real estate in Canada. As a result, DRC has identified a stable, income producing portfolio of assets in Germany for our initial investment.

Germany has the largest economy of any country in the European Union and has the fourth largest economy in the world, in each case, measured by GDP.[1] Germany's economy recovered significantly during 2010, expanding 3.6% on a price-adjusted basis to a total GDP of €2.5 trillion.[2] In the first quarter of 2011, GDP rose by 1.5% after price, seasonal and calendar adjustments as compared with the previous quarter.[3] Germany's Central Bank is forecasting economic growth rates of 2.0% and 1.5% for 2011 and 2012, respectively. In May 2011, the unemployment rate in Germany was 5.9%.[4] We believe these are positive indicators of a stable and growing economy, one that is appealing to investors seeking stable, sustainable and growing cash flows. In addition, we believe Germany's operating and business environment in the real estate sector is comparable to Canada's in many important ways. For example, in comparing the German market to the Canadian market, we believe there is a similar focus in Germany on building and maintaining long-term relationships with tenants, the brokerage community and lenders, as well as a similar leasing environment.

Target Markets

In addition to investments in the German market, we intend to seek opportunities to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property and a manageable foreign investment regime.

Although we will not be restricted in the geographies in which we may invest outside of Canada, we will have an initial focus primarily on the following target markets:

- Germany, where we believe there will be more opportunities for acquiring additional assets to complement the Initial Properties;
- France and the United Kingdom, whose economies are among the more stable in Europe; and
- other countries in Europe, to the extent that those markets are compelling to us and provide the potential to realize synergies with our portfolio of Initial Properties.

In the future, we believe that countries outside of Europe could become attractive target markets and provide us with additional market and currency diversification, provided that our size and scale makes expansion into those other markets cost effective.

Investment Highlights

Track record and experience of DRC

DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. DRC has a strong management team with extensive experience in real estate investment and

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1. Source: International Monetary Fund, www.imf.org, "World Economic Outlook Database."
2. Source: Deutsche Bundesbank, Monthly Report, December 2010; Statistisches Bundesamt Deutschland, www.destatis.de, "National Accounts."
3. Source: Statistisches Bundesamt Deutschland, www.destatis.de, "Domestic Product."
4. Source: Statistisches Bundesamt Deutschland, www.destatis.de, "Employment in May 2011."

asset management and a track record of creating value. DRC's principals have earned a reputation for being capable, smart and creative. DRC's achievements include having formed Dundee REIT, one of Canada's most successful publicly-traded real estate investment trusts. DRC is the asset manager to Dundee REIT, which has provided investors with a solid platform for growth and reliable cash flow. Dundee REIT grew significantly after its formation in 2003, more than doubling its total assets and nearly doubling its total revenues until 2007, when it sold its portfolio of real estate assets in Ontario and Eastern Canada for a total purchase price of approximately $2.4 billion. Dundee REIT has continued to grow significantly since that transaction, having recently surpassed its pre-2007 transaction size, measured by assets, and almost achieved comparable total rental properties revenue. In total, DRC's and Dundee REIT's combined acquisition transaction volume since 1996 is approximately $10 billion.

DRC has long-standing relationships with the German real estate community, some of which originated with DRC's acquisition of the Lehndorff Tandem Group in 1998. As a result of the acquisition of Lehndorff, several thousand German investors became shareholders of DRC, and three German directors joined DRC's board and served until DRC was taken private in 2003. One of these individuals continues to be a trustee of Dundee REIT and will also serve as a Trustee and the Chairman of our Board of Trustees effective upon the Closing. Management of DRC has covered the German real estate market for the past 13 years, building strong relationships with investors, brokers, lenders and other professionals, and resulting in DRC being engaged as the exclusive Canadian asset manager for a major German fund initiator. DRC provides Dundee REIT with German language investor relations capability and conducts annual investor presentations for Dundee REIT in Germany. DRC's relationships and coverage have led to a deep understanding of the German real estate market. See "Relationship with Dundee Realty Corporation".

Initial portfolio with strong operating fundamentals

The Initial Properties are comprised of stable, income-producing properties in Germany. In total, the Initial Properties are 87% leased with a weighted average remaining lease term of approximately seven years. The Initial Properties have minimal lease rollovers in the near term, with only 10.5% of the occupied GLA set to expire before April 2018 (not accounting for lease terminations). The Initial Properties offer growth potential and rental income from Deutsche Post that is indexed to inflation. The leases with Deutsche Post provide us with the ability to recover certain capital expenditures for common area repairs and maintenance up to 6% of the annual net rent under our leases, subject to a cap of 4.5% of the total annual net rent under both our leases and the leases that we are not acquiring from the seller of the Initial Properties. We anticipate that this ability to recover capital expenditures will help lower our capital expenditure costs as a landlord.

Significant credit worthy tenant

Approximately 75% of the GLA of the Initial Properties is leased to Deutsche Post. Upon Closing, we will become the single largest landlord of Deutsche Post in Germany, providing central and strategically placed locations that we believe are difficult to replace. Deutsche Post AG is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. In 2010, Deutsche Post ranked in the top 100 companies worldwide by revenue according to the Fortune Global 500. It generated revenues of approximately €51.5 billion in 2010 and had a market capitalization of approximately €15 billion as of December 31, 2010. The credit ratings of Deutsche Post as of December 31, 2010 were Baal from Moody's and BBB+ from S&P.

Pursuant to a private agreement, 202 of the Initial Properties feature branches of Postbank, originally the banking division of Deutsche Post, allowing for the delivery of integrated financial and postal services. Although Deutsche Post continued to own 39.5% of the shares of Postbank as of December 31, 2010, we understand that Deutsche Post and Deutsche Bank have agreed on a means of transferring Deutsche Post's remaining shares of Postbank to Deutsche Bank by way of an exchangeable bond and the provision of option rights. Postbank is also listed on the Frankfurt Stock Exchange and included in the DAX stock market index. Postbank had a market capitalization of approximately €4.5 billion as of December 31, 2010. The credit ratings of Postbank as of December 31, 2010 were A1 from Moody's, A from S&P and A+ from Fitch.

Central and strategic locations of the Initial Properties

Most of the Initial Properties form an integral part of a logistical network of assets that we believe is of strategic importance to Deutsche Post, Germany's only universal provider of postal services. The Initial Properties are strategically located in major city and town centres, often on a central square in close proximity to the main train

station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a neighbouring transportation hub and city centre pedestrian/shopping areas. Central locations provide Deutsche Post with proximity to a large number of addressees, increasing efficiency by having a centrally located starting point for the last leg of mail delivery. We believe that the Initial Properties will continue to be attractive locations for Deutsche Post and Postbank, given the synergies and integration of their services, which benefit from being near central areas and high traffic zones, and given Deutsche Bank's stated strategy of capturing a larger share of the retail banking market through its majority ownership of Postbank.

Initial portfolio provides a platform for growth

Our initial investment provides us with immediate scale and presence in a major European country, including a platform of over $1 billion of assets, an on-the-ground management team with extensive experience and relationships and strategic positioning with a significant credit worthy tenant. This platform will provide us with a base on which to build our portfolio and activities through a combination of additional acquisitions and organic growth, while allowing us to leverage our relationship with Deutsche Post in other markets if the opportunity were to become available to us. In addition, as a publicly-traded entity, we expect to benefit from having greater access to capital, while having already incurred our formation and other one-time start-up costs. We believe that this will provide us with the ability to generate higher Unitholder returns from future acquisitions, since the impact of additional transaction costs will be less significant over a larger asset base.

Business and Growth Strategies

We intend to pursue the following strategies to achieve our objectives:

Invest in stable income-producing properties outside of Canada

Our core strategy is to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. When considering acquisition opportunities, we will look for properties with quality tenancies and strong occupancy, and will assess how acquisition opportunities complement the Initial Properties and have the potential to create additional value. We will pursue acquisition opportunities independently as well as by partnering with existing local operators and by growing with Canadian groups as they expand their reach outside of Canada. The execution of this strategy will be consistently reviewed and will also include engaging in dispositions of properties and optimizing our capital structure.

Diversifying our portfolio to mitigate risk

We will seek to diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. We anticipate that the high profile of this transaction, our relationships and management team in Europe and the expertise of our board members and senior management team will provide us with opportunities to take advantage of real estate transactions available in Germany and other European countries.

Optimize the performance, value and long-term cash flow of the Initial Properties

The Initial Properties will be managed to optimize their performance, value and long-term cash flow. With the acquisition of the Initial Properties, we will gain an established management team of up to 14 employees in Germany and Luxembourg, bringing a history with the Initial Properties, continuity with the major tenant and relationships with other market participants. Leasing, capital expenditure and construction initiatives will be internally managed by us, while an affiliate of Deutsche Post will continue to provide property management services for the Initial Properties and will be responsible for all day to day operations, including the general maintenance, rent collection and administration of operating expenses and tenant leases.

Maintaining and strengthening a conservative financial profile

We will operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. On Closing, we expect our total secured debt to be approximately €328.5 million, or approximately 45% of the market value of the Initial Properties. Our preference will be to ultimately stagger our debt maturities to mitigate our interest rate risk and limit re-financing exposure in any particular period. As we execute our ongoing debt strategy, we anticipate that, by using traditional first mortgages, financing costs for future acquisitions will be lower. See "Financing of the Initial Properties" and "Debt Strategy".

INDUSTRY OVERVIEW

Germany

Since the age of industrialisation, Germany has been a driver, innovator, and beneficiary of a developing globalized economy. Germany has the largest population and economy (measured by GDP) of any country in the European Union and the fourth largest economy (measured by GDP) in the world.[5] Germany is the world's second largest exporter, with €1.15 trillion exported in 2010, accounting for more than one-third of Germany's national output.[6]

Germany is an open and stable market for foreign investors, with over 22,000 foreign enterprises.[7] Germany has established itself as a vital location for production sites and a country with a favourable business environment and high productivity rates. Similar to Canada, Germany is a country with a history of political, legal and financial stability. With improving economic conditions and increased activity in the real estate market, Germany provides an attractive climate for long-term investment.

Germany's economy recovered significantly during 2010, expanding 3.6% on a price-adjusted basis to a total GDP of €2.5 trillion. This is the largest increase since the reunification of Germany in 1990 after a decline in real GDP by 4.7% in 2009 due to the impact of the global financial crisis.[6] In the first quarter of 2011, GDP rose by 1.5% after price, seasonal and calendar adjustments as compared with the previous quarter.[7]

Overall, the German economy has recovered well from the recent global financial crisis, having already exceeded the pre-crisis GDP level of early 2008, with a number of positive growth indicators, including an expected increase in corporate investment, a boost in private consumption as a result of low unemployment, increasing wages and a high level of optimism supported by both corporate and consumer surveys. Deutsche Bundesbank, Germany's Central Bank, is forecasting economic growth rates of 2.0% and 1.5% for 2011 and 2012, respectively. The consumer price index is expected to increase from an estimated 1.1% in 2010 to approximately 1.7% in 2011, and to remain stable at that level in 2012.

Germany's economic recovery is due in large part to an expansion in exports. Despite limited natural resources, Germany has one of the most diverse economies in the world and is among the world's largest and most technologically advanced producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food and beverages, shipbuilding and textiles. The Fortune Global 500 reports that, of the world's 500 largest companies (measured by revenue) that are listed on a stock market, 37 are headquartered in Germany. In 2010, these included Allianz, BASF, BMW, Daimler, Deutsche Post, Deutsche Telekom, E.ON, Metro, Munich Re, Siemens and Volkswagen, all ranking in the top 100 companies worldwide by revenue.

Germany's location in central Europe facilitates access to a network of European capital cities and has been a factor strengthening Germany's free trade relationships with its fellow EU members and foreign trading partners in general.

Germany's population of approximately 81.8 million is concentrated in major cities where many of the Initial Properties are located, including Berlin (3.4 million), Hamburg (1.7 million), Munich (1.3 million) and Cologne (1 million).[8] With a population density of approximately 230 persons per square kilometre, Germany is significantly more densely populated than the European average of 116 persons per square kilometre.[9]

Germany has one of the world's highest levels of education, technological development, and economic productivity. With a per capita income of approximately $44,525, Germany has a large middle class.[10] Approximately 73.5% of the German labour force works in the service sector, approximately 24.5% in the industry sector and approximately 2.1% in the agricultural sector. In May 2011, the unemployment rate in Germany was 5.9%, as reported by the Federal Statistical Office.

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5. Source: U.S. Census Bureau, International Data Base, www.censusgov.org, "Country Rankings," International Monetary Fund, www.imf.org, "World Economic Outlook Database."
6. Source: Deutsche Bundesbank, Monthly Report, December 2010.
7. Source: Statisches Bundesamt Deutschland, www.destatis.de, "Domestic Product."
8. Source: Canadian Intelligence Agency, www.cia.gov, "the World Factbook."
9. Source: Statisches Bundesamt Deutschland, www.destatis.de, "Population."
10. Source: Statistisches Amter, www.vgrdl.de, "Gross Domestic Product."

Real Estate Investment Vehicles in Germany

A significant amount of domestic investment in commercial real estate in Germany is conducted through open-ended and closed-ended real estate funds, rather than real estate investment trusts or similar exchange-listed entities. Open-ended real estate funds have been a popular form of investment for many retail investors in Germany seeking exposure to the real estate sector with the benefit of portfolio diversification, a low minimum investment amount, daily liquidity through redemptions and no daily mark to market. However, open-ended real estate funds in Germany were adversely impacted by the recent global financial crisis, causing liquidity outflows and resulting in many funds suspending redemptions.

In contrast to German open-ended real estate funds, German closed-ended real estate funds are typically privately offered to institutional and sophisticated investors. In 2010, closed-ended real estate funds in Germany represented a fifth of the total investment volume for commercially used properties (over €3.8 billion). However, there is no organized market for trading holdings in closed-ended real estate funds.

The real estate investment trust industry in Germany is relatively new and still underdeveloped. Although Germany established a legal framework for real estate investment trusts in 2007, there have been only a few German real estate investment trusts that have been established since that time, in part due to the traditional predominance of open-ended funds among retail investors and in part due to the effect of the global financial crisis. There are currently only four German real estate investment trusts listed on the Deutsche Börse, and five companies registered as pre-German real estate investment trusts with the Federal Central Tax Office. The German real estate investment trusts listed on the Deutsche Börse have a total market capitalization of approximately €1.4 billion. They are:

- Alstria Office REIT AG – office, retail and residential portfolio consisting of 70 properties and aggregate leasable space of approximately 8,374,322 square feet;[11]
- Hamborner REIT AG – office, retail and residential portfolio consisting of 62 properties and aggregate leasable space of approximately 2,350,386 square feet;[11]
- Fair Value REIT AG – office, retail and logistics/light industrial portfolio consisting of 75 properties with aggregate leasable space of approximately 4,671,537 square feet; and[11]
- Prime Office REIT AG – office portfolio consisting of 14 properties and aggregate leasable space of approximately 4,144,105 square feet.[11]

Foreign Investment in Real Estate in Germany

While most of Europe has been targeted for investment in real estate by institutional investors, Germany has been particularly popular. International investors from Europe and the United States have been especially active in seeking portfolio diversification and invested approximately €6.6 billion in German commercial properties in 2010.[12] Closed-ended funds and open-ended funds were the most active investors, followed by asset and fund managers, representing 20%, 19% and 13% of total transaction volume, respectively. The German property market is particularly attractive to international investors, which were involved in six of the 11 largest transactions (each over €100 million, measured by purchase price) in the last three months of 2010.[13]

At the end of 2010, Germany ranked second in a global survey of the "most stable and secure real estate environments" by the Association of Foreign Investors in Real Estate. The 10-year annualized total return for all property types in Germany was 3%, outperforming the DAX by 230 basis points. In their report, "Emerging Trends in Real Estate Europe 2011", Urban Land Institute and PricewaterhouseCoopers LLP noted that four cities in Germany, namely Munich, Hamburg, Berlin and Frankfurt, ranked in the top 10 cities in Europe that provide the greatest existing property performance and are expected to provide the greatest opportunities for new acquisitions. These rankings were based on the collective view of more than 875 personal interviews with and survey responses from a wide range of industry experts, including investors, fund managers, developers, property companies, lenders, brokers, advisers and consultants.

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11. Source: Public filings. Number of properties and leasable space (converted from square metres) is presented as of December 31, 2010.
12. Source: CB Richard Ellis Marketview, Second Half 2010.
13. Source: CB Richard Ellis Marketview, Second Half 2010.

Germany's position as a compelling international investment market is evidenced by the transaction volume in the commercial property sector. In 2010, transaction volume in the commercial property sector totalled approximately €19.1 billion, an increase of 83% over the prior year.[14] Activity in the first quarter of 2011 appears to have followed this trend with approximately €5.5 billion of transaction volume, an increase of 18% over the same quarter in 2010.[15] The proportion of transaction volume attributable to foreign investment is also rising, increasing from 13% in 2009 to 35% in 2010 and approximately 50% in the first quarter of 2011.[16] A significant portion of these transactions were completed by institutional investors with a particular focus on the office and retail sectors, each accounting for 41% of the overall activity in the commercial property sector. A significant portion of the transaction volume in 2010 consisted of portfolio transactions.[17]

Over the past five years, some of Canada's largest pension funds have announced that they have increased the international component of their real estate investments. Three of Canada's major pension funds are reported to have approximately half of their real estate assets held outside of Canada, with a particular focus on Europe. For instance, La Caisse de dépôt et placement du Québec holds direct interests in 20 retail and office properties located in major German cities such as Berlin, Düsseldorf, Frankfurt, Hamburg and Munich totalling over two million square feet of GLA. In addition, the Canadian Pension Plan Investment Board's real estate holdings at the end of 2010 included four commercial properties in Munich and Cologne totalling 1,445,000 square feet of GLA. In November 2010, Canadian Pension Plan Investment Board purchased an 80% interest in a 651,000 square foot shopping mall near Cologne, and in May 2011, announced a €270 million investment in a 50% interest in CentrO Oberhausen, a 1.6 million square foot super-regional shopping and leisure centre near Düsseldorf.[18]

As a result of the high demand for premium commercial properties, yields have been declining in certain asset classes. We expect that commercial transaction volume in Germany will remain relatively high for the rest of 2011.

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14. Source: CB Richard Ellis Market View, Second Half 2010.
15. Source: CB Richard Ellis Market View, First Quarter 2011.
16. Source: CB Richard Ellis Market View, Second Half 2010.
17. Source: CB Richard Ellis Market View, Second Half 2010.
18. Source: Canada Pension Plan Investment Board, www.cppib.ca, "News Releases."

THE INITIAL PROPERTIES

Overview

The Initial Properties are a portfolio consisting of 292 office, logistics and other commercial properties, with a residential component, comprising approximately 12.3 million square feet of commercial GLA located in Germany. Approximately 91% of the GRI of the Initial Properties is generated by 250 properties, comprising approximately 10.9 million square feet, located in Western Germany and in Berlin. The remaining 42 properties, comprising approximately 1.5 million square feet, are located in Eastern Germany and account for approximately 9% of the total GRI of the Initial Properties.

In total, the Initial Properties are 87% leased with a weighted average remaining lease term of approximately seven years, offering both a stable lease rollover profile and upside potential from new leasing opportunities.

The Initial Properties are strategically located in major city and town centres, often on a central square in close proximity to the main train station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a neighbouring transportation hub and city centre pedestrian/shopping areas. Given their central and strategic locations, we believe that these properties will continue to be attractive to Deutsche Post, as well as other service oriented office and retail tenants. We believe that the current replacement cost of most of the Initial Properties would represent a significant premium to our purchase price of €60 per square foot of space.

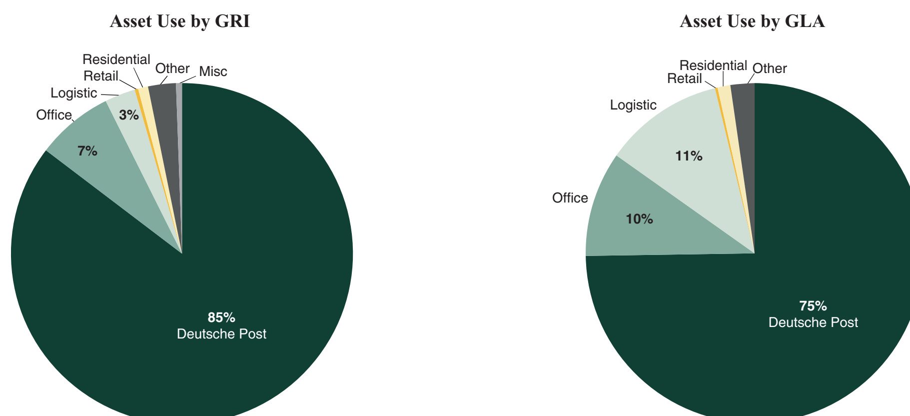
Portfolio and Seller

We will acquire the Initial Properties on Closing for total consideration of approximately €736 million, or approximately €60 per square foot of GLA. The seller is Lorac Investment Management S.à r.l., acting in its own name but for the account of Sub-Fund I. The Initial Properties are a subset of a portfolio of approximately 1,200 properties (referred to as the "Caroline Portfolio") that Sub-Fund I acquired from Deutsche Post in July 2008. The acquisition of the Caroline Portfolio was structured as a sale-and-leaseback arrangement pursuant to which Deutsche Post leased the majority of the properties from the purchaser as part of the transaction. After giving effect to the Acquisition, we understand that Sub-Fund I will hold an ownership interest in less than 500 of the properties originally forming part of the Caroline Portfolio. Sub-Fund I has advised us that it intends to sell its remaining interests in the Caroline Portfolio as soon as it is commercially reasonable for it to do so in line with its original investment horizon.

The Initial Properties were selected and marketed by Sub-Fund I as a portfolio of real estate assets, and were not individually selected by DRC. However, we believe that the Initial Properties are among the higher quality assets within the Caroline Portfolio due to their larger size, preferred locations and greater significance to Deutsche Post than the residual properties in the Caroline Portfolio. We believe that the properties comprising the Initial Properties generate, on average, five times greater GRI than the residual properties in the Caroline Portfolio. The Initial Properties also have a greater number of Deutsche Postbank branches, lower vacancy rates, and predominantly longer lease terms than the residual properties in the Caroline Portfolio. As a result, we consider the Initial Properties to be an ideal platform on which to build, and the cornerstone of our long-term strategy.

Asset Type

Approximately 75% of the GLA, generating approximately 85% of the GRI, of the Initial Properties is leased to Deutsche Post. The following graphs provide a breakdown of the GLA and the GRI for the Initial Properties by tenant use.



Deutsche Post

The Initial Properties were formerly owned by Deutsche Post. Deutsche Post contributes at least 90% of the GRI in 172 of the Initial Properties and between 50% to 90% of the GRI in 105 of the Initial Properties, leaving only 15 Initial Properties where less than 50% of the GRI is contributed by Deutsche Post. The rent under the DP Leases is indexed to inflation if the consumer price index for Germany changes (up or down) by more than 4.7 index points generally as compared to the index at the commencement of the lease.

Deutsche Post is one of the three successors to the German mail authority, Deutsche Bundespost, which was privatized in 1995. Three separate public companies were created from the privatization of Deutsche Bundespost:[19]

- Deutsche Post AG – the successor to the former postal service division of Deutsche Bundespost, and now part of Deutsche Post DHL, one of the world's leading mail and logistics groups;
- Deutsche Postbank AG – the successor to the former postal bank division of Deutsche Bundespost, and now part of Deutsche Postbank Group, one of Germany's major financial services providers; and
- Deutsche Telekom AG – the successor to the former communications service of Deutsche Bundespost, and now one of the world's leading telecommunications and information technology companies.

Deutsche Post is an integral part of the German economy and continues to be important to day-to-day life in Germany. As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents. For instance, Deutsche Post is required by law to make deliveries to every German address, six days a week, with 95% of all letters and 80% of all parcels having to be delivered within two business days.

Deutsche Post is Europe's largest postal company. Deutsche Post employs approximately 470,000 people in more than 200 countries and territories. On a daily basis, Deutsche Post serves two to three million customers through its retail outlets and delivers 66 million letters and 2.6 million parcels within Germany via mail and parcel sorting facilities. Its infrastructure network in Germany includes 82 mail centres, 33 parcel centres, 20,000 retail outlets and points of sale.

As a result of the high barriers to entry, Deutsche Post holds a dominant 87% market share of the €6.0 billion domestic mail communication market in Germany.[20] In addition, Deutsche Post holds a 39% market share of the €6.8 billion domestic parcel market. Deutsche Post's position in the parcel market provides an opportunity for growth as businesses and consumer activities in online commerce continue to expand, thereby increasing non-letter mail volumes.

Deutsche Post is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. In 2010, Deutsche Post ranked in the top 100 companies worldwide by revenue according to the Fortune

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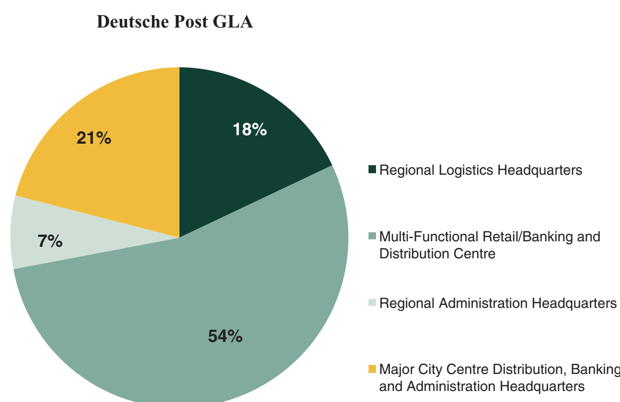
19. Source: Public filings
20. Source: Public filings of Deutsche Post, Annual Report 2010.

Global 500. It generated revenues of approximately €51.5 billion in 2010 and had a market capitalization of approximately €15 billion as of December 31, 2010. The credit ratings of Deutsche Post as of December 31, 2010 were Baa1 from Moody's and BBB+ from S&P.

The German government has an interest in Deutsche Post, both as the indirect owner of approximately 30% of Deutsche Post's outstanding shares, and socially since Deutsche Post is a significant employer in Germany and connects the German population as the only provider of universal postal services in Germany.

The GLA of the Initial Properties occupied by Deutsche Post can be categorized as follows:

Deutsche Post GLA



Strategic Importance of Deutsche Post Locations

We believe that the Initial Properties are of strategic importance to the operations of Deutsche Post as Germany's only provider of universal postal services and a major German and international provider of courier and parcel delivery services. Most of the Initial Properties contain a mail/parcel sorting component and form what we believe is an integral part of Deutsche Post's logistical network. Approximately 75% of the Initial Properties are multi-functional and occupied or used by more than one of Deutsche Post's business divisions or business partners, including Postbank.

As the former owner of the portfolio, Deutsche Post either acquired or developed each of the Initial Properties (except for one building that was developed for Deutsche Post by Sub-Fund I) prior to their sale in 2008. We believe that Deutsche Post's choice of central locations was driven by Deutsche Post's desire to be in proximity to as large a number of addressees as possible. Mail and parcel delivery services operate from these locations and are carried out by Deutsche Post personnel on foot as well as by bicycle, motorcycle and branded small vans and cars, each covering a prescribed route. A centrally located starting point for the last leg of delivery maximizes the catchment area and improves efficiency of delivery due to smaller distances to the boundaries of the service area and a relatively higher population density in the immediately surrounding area.

Most of the Initial Properties serve as the focal point for Deutsche Post's fleet of delivery vehicles. Sorting facilities contain a number of loading bays which are typically found at the back of the properties where truck access is available. At certain times of the day, this area is very busy and must accommodate multiple trucks coming and going from and to large regional sorting facilities and other Deutsche Post locations. To accommodate the space requirements of Deutsche Post's logistics services, the properties are typically situated on large land parcels – a rare feature of centrally located commercial properties in German cities. The average site coverage across the Initial Properties allows for parking areas in the heart of urban centres. We understand that, as a general rule, 24 hour truck access to many of the centrally located sites, including Sundays and public holidays, is facilitated by a building permit, a building consent or a registered easement assigned when Deutsche Post originally developed or acquired the Initial Properties. We believe such permits are another unique characteristic of many of the Initial Properties.

Many of Deutsche Post's employees are unionized, and some collective bargaining agreements limit Deutsche Post's ability to reduce and/or relocate its employees, further enhancing the appeal to Deutsche Post of its existing locations.

Postbank[21]

Postbank offers retail financial services in their branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. There are 4,500 branches of Deutsche Post in which selected Postbank financial services are available. Postbank offers comprehensive financial services as well as postal services in its own 1,100 branches.

With 14 million active domestic customers, over 20,000 employees and total assets of €211 billion, Deutsche Postbank is one of Germany's major financial services providers.[22] Postbank's focus is on its retail business with private customers. Postbank has the densest branch network of any bank in Germany, which makes it conveniently accessible and attractive to its retail banking customer base.

Deutsche Postbank is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. Postbank was formerly a subsidiary of Deutsche Post, but is now controlled by Deutsche Bank. Although Deutsche Post continued to own 39.5% of the shares of Postbank as of December 31, 2010, we understand that Deutsche Post and Deutsche Bank have agreed on a means of transferring Deutsche Post's remaining shares of Postbank to Deutsche Bank by way of an exchangeable bond and the provision of option rights. Postbank had a market capitalization of approximately €4.5 billion as of December 31, 2010. The credit ratings of Postbank as of December 31, 2010 were A1 from Moody's, A from S&P and A+ from Fitch.

Pursuant to a private agreement, 202 of the Initial Properties feature branches of Postbank, allowing for the delivery of integrated financial and postal services. The Initial Properties featuring Postbank branches are typically located at ground level with a view to attracting a high volume of retail and business customers seeking financial or postal services. These locations may include retail space (where consumer staples are offered for sale), a banking or investment advisory area, mailboxes for rent, an automated postal/banking services station or traditional banking teller service. Many Postbank branches located in the Initial Properties have recently undergone refurbishment and now feature contemporary designs, expanded retail sections, enhanced lighting and automated postal and financial services centres. The delivery of banking and postal services are integrated such that customers can purchase consumer staples, send or receive mail or parcels and attend to their financial services needs, including by making deposits, loans, transfers, investments and purchasing insurance.

As Postbank's presence in Deutsche Post locations is a significant component of Postbank's retail branch network, we believe that the Initial Properties will continue to be attractive to Postbank.

Deutsche Telekom[23]

After Deutsche Post, Deutsche Telekom occupies the most space in the Initial Properties. Deutsche Telekom occupies approximately 1.4% of the GLA of the Initial Properties and currently generates approximately 2.5% of the portfolio's overall GRI. The occupied space is mainly used for server and cable rooms, forming an integral part of Deutsche Telekom's infrastructure.

Deutsche Telekom is one of the world's leading telecommunications and information technology service companies. Deutsche Telekom has an international focus and is represented in approximately 50 countries. In 2010, Deutsche Telekom Group generated revenue of approximately €62.4 billion, and had approximately 247,000 employees in total as of December 31, 2010. Deutsche Telekom AG is a public company that is listed on the Frankfurt Stock Exchange and included in the DAX stock market index. The credit ratings of Deutsche Telekom AG as of December 31, 2010 were Baa1 from Moody's, BBB+ from S&P and BBB+ from Fitch.

21. Source: Public filings
22. Source: Postbank, www.postbank.com, "About Us."
23. Source: Public filings

Locations of the Initial Properties

The map below shows the locations of the Initial Properties in Germany.

Property Highlights

The table below highlights the geographic diversification of the Initial Properties as of March 31, 2011. Please refer to Appendix A for a complete list of the Initial Properties.

Region	Total GLA (in sq. ft.)	Percentage of Total GLA of the Initial Properties (in sq. ft.)	Weighted Average Occupancy Rate
North Rhine – Westphalia	2,760,686	22.4%	91%
Baden – Württemberg	1,622,879	13.2%	92%
Bavaria	1,461,238	11.9%	86%
Niedersachsen	1,591,646	12.9%	79%
Hesse	1,041,499	8.5%	90%
Saxony	643,408	5.2%	75%
Schleswig – Holstein	535,619	4.3%	95%
Rhineland – Palatinate	500,262	4.1%	86%
Hamburg	485,757	3.9%	88%
Saarland	482,670	3.9%	91%
Saxony – Anhalt	449,226	3.6%	85%
Bremen	320,885	2.6%	82%
Brandenburg	141,370	1.1%	88%
Thuringia	127,266	1.0%	72%
Mecklenburg – West Pomerania	101,023	0.8%	87%
Berlin	53,483	0.4%	88%
Total	**12,318,916**	**100.0%**	**87%**

The table below provides an overview of the regions in which the Initial Properties are located as of March 31, 2011, based on information from Statistisches Bundesamt, the German Federal Statistical Office.

Regional Overview[1]

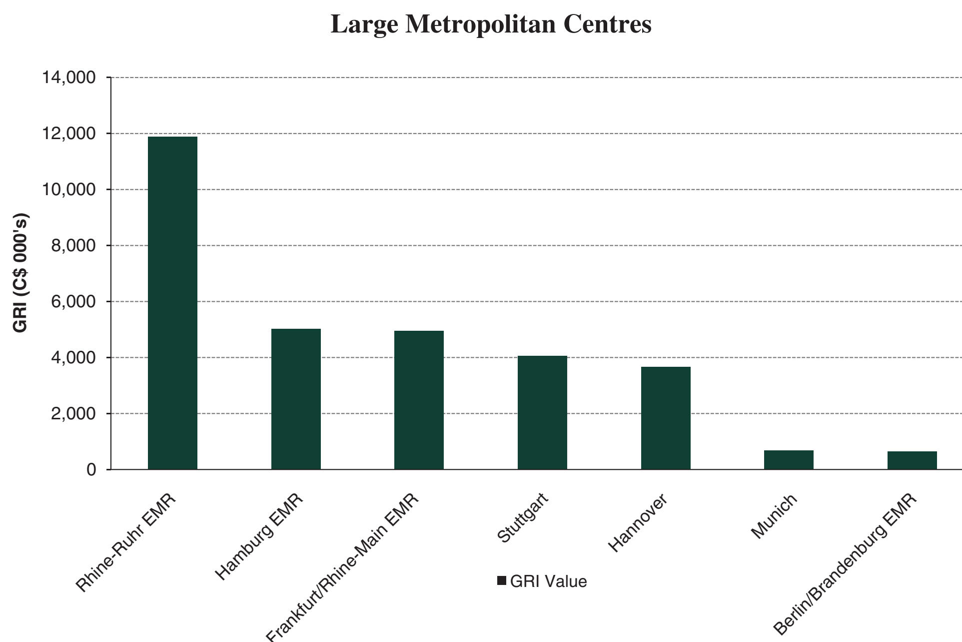
Region	Population	Geographic Area (km²)	Population Density (per km²)	Regional GDP (C$mm)[i]	Regional GDP (C$) Per Capita [i]	2010 GDP Growth (YoY)
North Rhine-Westphalia	17,872,763	34,088	524	$ 743,950	$41,625	3.80%
Baden-Württemberg	10,744,921	35,751	301	$ 293,134	$36,971	6.00%
Bavaria	12,510,331	70,550	177	$ 495,592	$46,123	4.40%
Niedersachsen	7,928,815	47,635	166	$ 606,070	$48,445	4.00%
Hesse	6,061,951	21,115	287	$ 308,218	$50,845	4.50%
Saxony	4,168,732	18,420	226	$ 130,139	$31,218	2.40%
Schleswig-Holstein	2,832,027	15,799	179	$ 103,618	$36,588	2.90%
Rhineland-Palatinate	4,012,675	19,854	202	$ 147,455	$36,747	5.40%
Hamburg	1,774,224	755	2349	$ 120,988	$68,192	4.50%
Saarland	1,022,585	2,569	398	$ 41,176	$40,267	5.60%
Saxony-Anhalt	2,356,219	20,449	115	$ 71,455	$30,327	3.40%
Bremen	661,716	404	1637	$ 37,993	$57,416	3.80%
Brandenburg	2,511,525	29,482	85	$ 76,468	$30,447	2.90%
Thuringia	2,249,882	16,172	139	$ 68,320	$30,366	3.70%
Mecklenburg - West Pomerania	1,651,216	23,189	71	$ 49,018	$29,686	1.10%
Berlin	3,442,675	892	3861	$ 129,762	$37,692	3.10%
Deutschland	**81,802,257**	**357,124**	**229**	**$3,423,356**	**$41,850**	**4.20%**

[i] Based on an exchange rate of C$1.37 per EUR

Large Metropolitan Centres

Approximately 87 of the Initial Properties, or 38% as measured by contribution to GRI, are located in large metropolitan centres of Germany, including the Rhine-Ruhr area, Berlin, Frankfurt, Hamburg, Munich, Stuttgart and Hannover. The Rhine-Ruhr area, which includes cities such as Düsseldorf and Cologne, constitutes the largest, measured by population, metropolitan area in Germany, and the third-largest in Europe.

The following graph illustrates the contribution of the 87 Initial Properties located in large metropolitan centres to the GRI of the Initial Properties.



Note: Rhine-Ruhr EMR includes Initial Properties in the following cities: Cologne, Dusseldorf, Bonn, Dortmund, Essen, Bochum, Duisburg, Wuppertal and Monchengladbach.

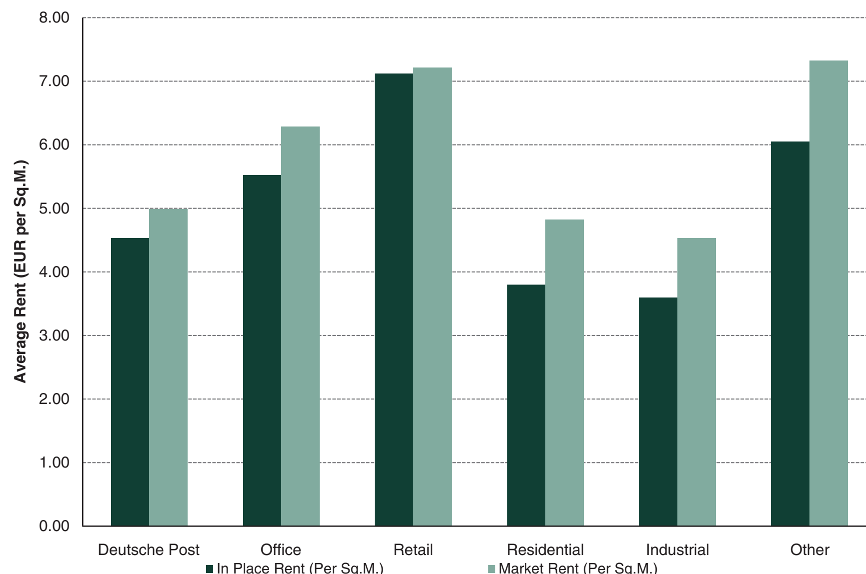
Occupancy and Leasing

The current weighted average occupancy rate across the Initial Properties is 87%, representing 10.7 million square feet out of a total GLA of 12.3 million square feet.

Since Sub-Fund I's acquisition of the Caroline Portfolio in 2008, the weighted average occupancy has continued to increase every year from 78.8% in 2008, 79.3% in 2009, 84.0% in 2010 and 86.5% as at the end of March 2011.

The graph below reflects our belief that in-place rental rates on the Initial Properties are below current market rental rates on average in their respective markets.

In-Place Rent Versus Market Rent[(1)]

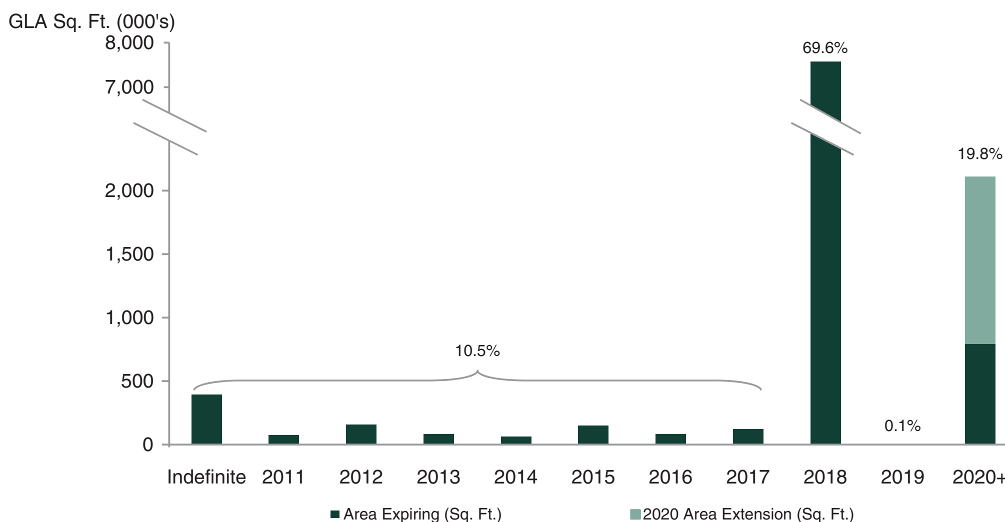


(1) Market rent reflects management's estimate based on property tours as well as current market information.

The weighted average remaining term of all leases is approximately seven years. The leases with Deutsche Post, which generally expire on June 30, 2018 (with an option by Deutsche Post generally to extend the term until June 30, 2023), comprise approximately 75% of the GLA and account for more than 85% of the GRI of the Initial Properties.

The following graph sets out the amount of GLA and percentage of total GLA of the Initial Properties subject to leases expiring during the periods shown (excluding lease terminations).

Lease Expiries by GLA



Deutsche Post Lease Terms

Lorac, acting as management company in its own name but for the account of Sub-Fund I, as landlord, has entered into separate lease agreements with a subsidiary of Deutsche Post which it will hold from and after Closing for the account of the applicable Dundee FCP with respect to those leases in the Initial Properties (collectively the "DP Leases" and each a "DP Lease") and for the account of Sub-Fund I with respect to those leases in the remaining Caroline Portfolio (collectively the "Caroline DP Leases" and each a "Caroline DP Lease"). Although the DP Leases

are between the Landlord and a subsidiary of Deutsche Post, as tenant, Deutsche Post has provided a letter of support pursuant to which it will ensure that its subsidiary is managed and capitalized so as to be able to fulfill its financial obligations under the DP Leases, with the letter of support being in place until the earlier of (a) the date of termination of the DP Leases, and (b) 15 years after commencement of the DP Leases.

Although structured as individual lease agreements, each DP Lease and each Caroline DP Lease is commercially linked in certain ways with each other DP Lease and Caroline DP Lease even though we will have no interest in the Caroline DP Leases and Sub-Fund I will have no interest in the DP Leases. After giving effect to the Acquisition, we understand that Sub-Fund I will hold ownership interests in less than 500 of the properties originally forming part of the Caroline Portfolio. Sub-Fund I has advised us that it intends to sell its remaining interests in the Caroline Portfolio as soon as it is commercially reasonable for it to do so in line with its original investment horizon.

The following is a summary of the material terms of the DP Leases. Some of the DP Leases have provisions that differ from those summarized below, but we do not consider those differences to be material.

Use

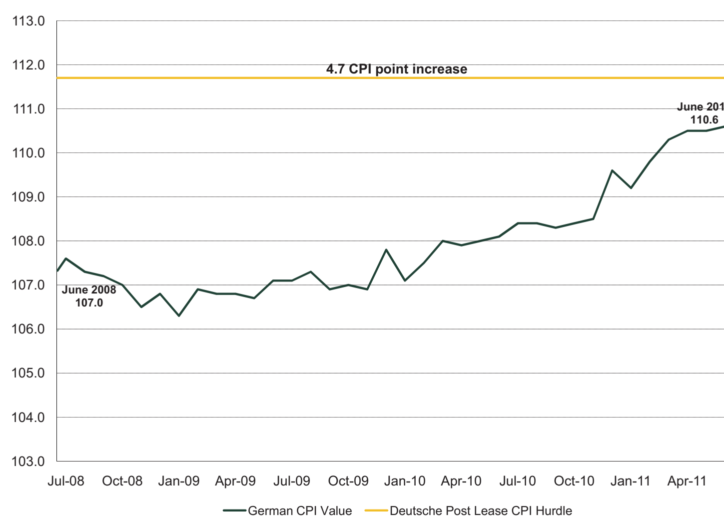
In general, the DP Leases specify the designated use of the rental property in the following categories: (a) postal office, (b) delivery base, (c) logistics base, and/or (d) office use. Deutsche Post is generally responsible for maintaining any necessary permits which are required at the time of commencement of the lease term.

Rent and Rent Adjustment

The DP Leases typically require monthly rental payments which are payable in advance.

The rents under the DP Leases are subject to automatic adjustment (up or down) in relation to the consumer price index for Germany. If the consumer price index for Germany changes by more than 4.7 index points as compared to the index at the commencement of the applicable lease or the previous rent adjustment, the rent payable under the DP Leases is automatically adjusted by 100% of the index change of 4.7 points, with effect as of the time of the index change. The consumer price index was 107 at the time the DP Leases commenced.

As of June 2011, the consumer price index in Germany stood at 110.6 index points, which is 1.1 points below the hurdle rate required for an upward adjustment to the rental rates in the DP Leases.



Term, Termination and Renewal Rights

In general, the DP Leases have a fixed term of 10 years commencing on July 1, 2008. Many of the DP Leases contain provisions for one or more extensions at the option of Deutsche Post.

129 of the DP Leases entitle Deutsche Post to terminate its respective lease in an Initial Property as of June 30, 2012, June 30, 2014 or June 30, 2016. 88 of the Initial Properties subject to these DP Leases feature Postbank branches. Termination of a DP Lease requires at least 12 months' prior written notice to the Landlord. The right of Deutsche Post to terminate a DP Lease is limited by various tests which apply to the DP Leases and Caroline DP Leases, considered as a whole. Deutsche Post may terminate DP Leases and Caroline DP Leases aggregating no more than 20% of the total annual Reference Rent payable under all of the DP Leases and Caroline DP Leases on June 30, 2012, no more than an additional 20% of such rent on June 30, 2014, and no more than an additional 10% of such rent on June 30, 2016. The "Reference Rent" for a lease is an amount set out in a specified notarial deed and may differ from the actual rent payable under the lease. To the extent that Deutsche Post does not exercise all of its available early termination rights with respect to any particular effective termination date, the unused portion may be carried forward; provided that Deutsche Post cannot terminate DP Leases and Caroline DP Leases aggregating more than 20% of the total Reference Rent of all DP Leases and Caroline DP Leases, considered as a whole, during any lease year. If Deutsche Post were to exercise its termination rights in respect of all of the 129 DP Leases that it is entitled to terminate prior to their maturity in 2018, we would need to re-lease, on average, 6.4% of the Initial Properties annually over this period in order to maintain our occupancy.

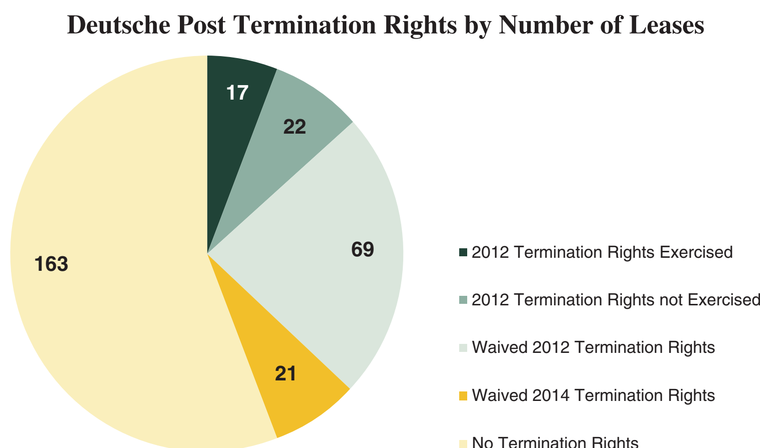
Deutsche Post previously waived its first termination right (effective June 30, 2012) in respect of 89 of the DP Leases and, accordingly, the first termination right was only exercisable in respect of 40 of the DP Leases, 34 of which feature Postbank branches. Deutsche Post was required to exercise its first termination right on or before June 30, 2011. On June 30, 2011, Deutsche Post exercised its first termination right in respect of 17 Initial Properties (representing 1.1 million square feet of GLA and $9.1 million of GRI), 13 of which feature Postbank branches. To assist in the impact of any potential rental loss arising from Deutsche Post's termination of DP Leases effective on July 1, 2012, Sub-Fund I has agreed to pay us an amount equal to the lost gross rent resulting from such termination for the period commencing on July 1, 2012 to and including June 30, 2014. On closing, as security for Sub-Fund I's foregoing obligations, Sub-Fund I will deposit into a blocked bank account an amount equal to the monthly net rental payments (including for greater certainty CPI Adjustments) plus 50% of the estimated monthly prepayment of operating expenses which will be paid to the relevant Dundee FCP in monthly instalments at the same time the rent payable by DPI would have been payable. In conjunction with its notice of termination, Deutsche Post has indicated that it has a strong desire to lease back space in the Initial Properties from us for mail delivery, sorting and Postbank's operations, which we estimate could be up to 50% of the GLA of the Initial Properties in respect of which Deutsche Post has exercised its recent termination right. Should Deutsche Post re-lease space from us after exercising its recent termination rights, we have an opportunity to increase rental rates on new leases with Deutsche Post, capture mark-to-market values of new leases, extend the lease maturity profile of the Initial Properties and diversify our tenant base.

By June 30, 2012, Deutsche Post is required to waive its second termination right (effective June 30, 2014) for at least 15% of the total Reference Rent of all DP Leases and Caroline DP Leases, considered as a whole. In that regard, Deutsche Post was required to identify by June 30, 2011, DP Leases and/or Caroline DP Leases representing at least 7.5% of the total Reference Rent of all DP Leases and Caroline DP Leases, considered as a whole, with the remainder identified by June 30, 2012. On June 30, 2011, Deutsche Post waived its second termination right for 21 Initial Properties.

25 DP Leases (representing approximately 5% of the Reference Rent of all DP Leases) which originally provided Deutsche Post with early termination rights have previously been extended by an additional two years and Deutsche Post has waived all termination rights in respect of those DP Leases.

The following graph shows the number of DP Leases that are subject to early termination rights in favour of Deutsche Post.

Deutsche Post Termination Rights by Number of Leases



We believe that the risk of Deutsche Post exercising its future termination rights is mitigated by Deutsche Post's occupancy arrangements with Postbank. Before exercising its termination right with respect to a DP Lease, we believe Deutsche Post would require Postbank's prior input.

In addition to the early termination rights, the DP Leases generally provide that Deutsche Post may terminate a lease in certain circumstances, such as: (a) withdrawal of a permit required to operate its business under an agreed use of the leased premises, (b) lack of access to the property by Deutsche Post for a prolonged period of time, (c) destruction of the leased premises due to a force majeure, (d) a breach of the competition clauses by the Landlord (see below), and (e) for cause under applicable German law.

The DP Leases provide Deutsche Post with one 5-year renewal option (or one 3-year renewal option if the term of the lease has previously been extended by two years as described above). In addition, by June 30, 2017, Deutsche Post is required to provide the Landlord with a list of DP Leases and/or Caroline DP Leases that have no termination options and for which the term of such lease shall be extended for two additional years. This list must amount to at least 33.33% of the total Reference Rent of all DP Leases and Caroline DP Leases, considered as a whole, that at the beginning of the lease had no termination options. Based on the total Reference Rent of all of the DP Leases and the Caroline DP Leases, considered as a whole, with no termination options, Deutsche Post will provide this required extension for DP Leases having an aggregate Reference Rent totalling at least €7.4 million.

The Landlord may terminate approximately 48 of the DP Leases on nine months' notice. Deutsche Post may avoid the Landlord's termination right within the first three months of the notice period by payment of an amount equal to six months net rent to a maximum per lease of €50,000. Payments by Deutsche Post to avoid the termination right held by the Landlord are limited to €1.5 million annually. The Landlord is obligated to reimburse Deutsche Post for costs caused by exercising its termination right by paying a lump sum to Deutsche Post equal to six months net rent. This termination right is further limited by the fact that, in any one year, the Landlord can only terminate three properties that are located in the same geographic region. As this geographic limit applies to the DP Leases and the Caroline DP Leases, considered as a whole, there can be no assurance that we will be entitled to exercise all of our termination rights for such time as Sub-Fund I owns any of the Caroline Properties.

Subletting

Under the DP Leases, Deutsche Post is entitled to sublet the leased premises, within the scope of the agreed use, to an affiliate of Deutsche Post without our consent, including to Postbank, as well as to distribution partners of Deutsche Post and Postbank. Deutsche Post may not sublet the leased premises to any other person without the consent of the Landlord, which consent may only be withheld for cause.

Maintenance and Alteration

The Landlord is generally responsible for maintenance and repair of the structural parts of the Initial Properties and replacement of common areas and is required to bear the costs for such measures. However, the Landlord may

allocate certain costs for maintenance and repair of common areas to Deutsche Post in an amount not to exceed 6% of the annual net rent under the relevant DP Lease and, in any event, in an amount not to exceed 4.5% of the total annual net rent under all DP Leases and Caroline DP Leases, considered as a whole (unless the costs are deemed to be ancillary costs, as discussed below). If amounts allocated in a year are less than the foregoing limits, the unused portion may be carried-forward into the subsequent year. Given that the 4.5% limit applies to the DP Leases and the Caroline DP Leases, considered as a whole, we and Sub-Fund I have agreed not to allocate in excess of 4.5% of the total annual rent under the DP Leases (in our case) and under the Caroline DP Leases (in the case of Sub-Fund I) and to retain any excess which we may have relating to our own properties for future years.

Other than as stated above, Deutsche Post is generally responsible for the maintenance, repair, and renewal at its own cost within the leased premises.

Ancillary Costs

Each DP Lease provides that Deutsche Post will proportionately bear ancillary costs; however, property management costs cannot be charged to Deutsche Post. Ancillary costs include heating and air conditioning costs, general electricity costs, costs in connection with the operation and management of parking spaces, garages and underground parking garages, costs in connection with maintenance and cleaning of outdoor areas, costs of street and building cleaning, and all costs in connection with the observance of the duty to safeguard traffic (including snow and ice removal).

If additional costs are incurred as a result of Deutsche Post's specific requirements, these additional costs will be borne solely by Deutsche Post. To the extent possible, Deutsche Post will directly enter into agreements with the local utility suppliers for its ancillary requirements.

Protection Against Competition

Under the DP Leases, the Landlord has agreed that it will not, without the consent of Deutsche Post, lease space, set up automatic banking machines or provide advertisement opportunities to "material competitors" of Deutsche Post, Postbank or their affiliates. Material competitors are defined under the DP Leases as all mail delivery services, all courier, express and parcel services unless they are exclusively working locally and are not part of a supra-regional network or group, all providers of banking services and companies specifically listed in the DP Leases (as they may be updated from time to time by Deutsche Post with effect from and after such updates).

Fixtures Leases

Ancillary to most DP Leases, Caroline Fixtures leases various fixtures located in the applicable Initial Property, such as loading bridges and freight elevators, to Deutsche Post for a similar term to that of the DP Leases for nominal rent. The separate leasing of fixtures to a major tenant of a building is common practice in Germany. All of the fixtures located in the applicable Initial Property will be acquired on Closing by a subsidiary of Dundee Lux Holdco, and each of the leases of such fixtures with Deutsche Post will be assigned to us on Closing.

Certain Legal Matters Relating to Property in Germany

Title to the Initial Properties is subject to customary encumbrances, such as easements, encroachments, zoning laws and restrictive covenants which are typical for commercial real estate properties of this type, size and age. The majority of the Initial Properties are subject to easements providing customary rights to utility lines, telecommunication cables, water pipes, rights-of-way and similar rights in favour of public authorities, utility companies or private parties. In some cases, there are limited personal easements in favour of the German National Railway to allow railway installations and operations. In one case an easement restricts the use of the Initial Property to a postal office.

Three of the Initial Properties are subject to pre-emptive rights or rights of first refusal in the event of subsequent sales of the affected properties. These rights will not apply to our acquisition of the Initial Properties, as the reallocation of the Initial Properties pursuant to the Reallocation Agreement will not result in a transfer of title. However, such pre-emptive rights or rights of first refusal will apply in the event of future sales of the affected Initial Properties. One of the Initial Properties is subject to an option to purchase in favour of Deutsche Post. In addition to

these encumbrances, at least 36 of the Initial Properties are located in urban refurbishment, redevelopment or reallocation areas in which the sale, leasing and encumbrance of such Initial Properties requires the approval of the competent public authority. We will not require such approval for our acquisition of the Initial Properties, as the reallocation of the Initial Properties will not result in a transfer of title. However, such approval may be necessary for the granting of the first mortgages or in connection with the assignment of the existing land charges to be provided under the Term Loan Credit Facility. We have obtained an undertaking from Sub-Fund I to obtain all required public authority approvals for the execution or renewal of certain leases in Initial Properties which are located in an urban refurbishment, redevelopment or reallocation area where prior approval was not previously obtained.

At least 58 of the Initial Properties are located in areas designated as "Public Facilities Area for Postal Services" ("*Gemeinbedarfsfläche Post*") in a land-use plan (*Bebauungsplan*), which restricts the use of these properties to postal services. Any change of such use will only be permitted if the applicable public authority re-zones the land or waives the restrictive designation. We understand that many of the centrally located Initial Properties have also received specific permits which provide Deutsche Post with 24 hour truck access, including on Sundays and public holidays. Certain of the Initial Properties are also subject to German monument protection laws, which are similar to historic designations and oblige the owner of such building to take into account reasonable measures of conservation and maintenance of the affected buildings.

Overall, we do not believe that these encumbrances, rights or restrictions are of a material nature.

Breakdown of the Initial Properties

The Initial Properties can generally be divided into four major categories. The following is a summary description of the major categories as well as descriptions of the top 10 properties as measured by contribution to GRI of the Initial Properties. A full list of the Initial Properties is attached as Appendix A to this prospectus.

Multi-Functional Retail, Banking and Distribution Properties

The multi-functional retail, banking and distribution properties contain regional mail and distribution centres, regional or local administration offices, and retail space and Postbank branches. This asset type is mostly located in the urban districts of major cities (i.e., cities with over 100,000 inhabitants) or in central locations in mid-sized cities (i.e., cities with under 100,000 inhabitants). This category encompasses the largest portion of the portfolio, at 208 properties, and provides approximately 52% of the portfolio's GRI and comprise approximately 52% of the portfolio's GLA. This category has the smallest average GLA at approximately 32,000 square feet and is generally well located.

Bahnhofstrasse 82 – 86, Giessen

This 156,400 square foot property is located in the city centre of Giessen, a university town located approximately 50 kilometres north of Frankfurt. The property is strategically located near the central train station and a main retail area. The property is easily accessible by public transport with the city's main bus terminal nearby. The property was built in 1993, with Deutsche Post being the largest tenant, occupying approximately 52% of GLA.

Major City Centre Banking, Distribution and Administration Headquarters Properties

The major city centre banking, distribution and administration headquarters properties contain major mail and distribution centres, regional administration offices and Postbank branches. These assets are the cornerstone of the portfolio, and are generally centrally located in major cities and close to regional rail hubs for logistical purposes. This category contains 21 properties that contribute approximately 23% of the portfolio's GRI and comprise approximately 22% of the portfolio's GLA. The properties in this category are generally very large, with an average GLA greater than 125,000 square feet.

Poststrasse 4 – 6, Göbelstrasse 30 and Bismarckstrasse, Darmstadt

This 231,000 square foot property is located in the city centre of Darmstadt, one of the larger cities in the greater Frankfurt area. Darmstadt has a reputable university and is a leading centre for technological innovation in Germany.

The property is strategically located next to the central train station and the main public transportation hub and offers easy access to the highway and direct access via train to Frankfurt and Frankfurt International Airport. The property was originally built in 1912. A second building, which is connected to the original building, was constructed in 1993. The property is approximately 88% leased to Deutsche Post.

Grüne Strasse 6 – 8 / Kurfürstenstrasse 2, Dortmund

This 299,600 square foot property is located in the city centre of Dortmund. Dortmund is the biggest city in Ruhrgebiet, the most populous metropolitan area and most economically powerful region in Germany. The property is strategically located adjacent to the central train station, the subway and a central bus hub and is close to a major retail area and the headquarters of Signal Iduna, one of Germany's largest health insurance companies. The property was built in 1980 and 1988 and is 100% leased to Deutsche Post.

Am Hauptbahnhof 16 – 18, Saarbrücken

This 290,900 square foot property is located in the city centre of Saarbrücken, the provincial capital of Saarland, which is located near the border of France. Built in 1993, the property is strategically located next to the central train station and the city's main public transportation hub. The property offers direct access via train to major European centres, including Paris. The property is approximately 89% leased to Deutsche Post.

Bahnhofstrasse 16, Regensburg

This 230,800 square foot property is located in the city centre of Regensburg, a medieval city located in the province of Bavaria. Built in 1991, the property is strategically located next to the central train station and is easily accessible by public transport. The property is leased to a variety of tenants, with Dallmeier Electronic GmbH, Deutsche Bahn (the German national railway) and Deutsche Post being the largest tenants.

Regional Logistics Headquarters Properties

The regional logistics headquarters properties contain strategic logistics facilities that are critical elements of Deutsche Post's distribution network. These assets are generally located near major cities and have access to significant infrastructure, including rail and highway. The regional logistics headquarters category contains 55 properties that contribute approximately 16% of the portfolio's GRI and comprise approximately 19% of the portfolio's GLA. The properties in this segment have an average GLA of approximately 41,000 square feet.

Franz-Zebisch-Strasse 15, Weiden

This 166,600 square foot property is located in Weiden, a Bavarian town located near the Czech border. The property is a regional logistics headquarter for Deutsche Post. The property, which is predominantly used to process collectors' orders for stamps, was built in 2001 and 2004.

Karlstal 1-21 and Werftstr. 201, Kiel

This 180,900 square foot property is strategically located in close proximity to Kiel's harbour and central train station. Kiel is the provincial capital of Schleswig-Holstein and the largest city in this northern province. Kiel is located approximately 90 kilometres north of Hamburg, a major maritime centre. The property consists of six buildings which were built between 1943 and 1972, with Deutsche Post leasing most of the space.

Regional Administration Headquarters Properties

The regional administration headquarters properties contain national and regional administration offices. These assets are generally located just outside major city centres and have the highest average rental rates of all of the asset categories. This category contains eight properties that contribute 10% of the portfolio's GRI and comprise approximately 7% of the portfolio's GLA. The assets in this segment have an average GLA of approximately 111,000 square feet. The regional administration headquarters assets most closely represent real estate with an office classification.

Gradestrasse 22, Hannover

This 195,800 square foot property is located in the city centre of Hannover, the provincial capital of Lower Saxony. Built in 1973, the property is strategically located between the city centre and the airport. The property is well connected to public transportation. Deutsche Post leases approximately 67% of the GLA.

Kurfürstenallee 130, Bremen

This 187,900 square foot property is located in the city centre of Bremen. Bremen is located in north-western Germany. Bremen is a major commercial, industrial and port city, connected to the North Sea. The property is strategically located near major highways. The property was built in 1979 and 1985, and is leased to a variety of tenants, with Deutsche Post and swb AG, a regional energy producer and supplier, being the largest tenants.

Überseering 17 and Mexikoring 22, Hamburg

This 159,200 square foot property is located in the north end of Hamburg. Hamburg is the second-largest city in Germany, with a greater metropolitan area of over four million people, and the third-largest port in Europe. The property was built in 1974 and 1985, and is strategically located near the Hamburg Airport. Deutsche Post leases the majority of the space.

ASSESSMENT OF INITIAL PROPERTIES

Environmental Site Assessments

The Initial Properties have been the subject of certain environmental site assessment reports prepared between 2007 and 2011. A German-based consultant was selected by us in order to investigate compliance with applicable jurisdictional standards and best practices during completion of the assessments and reports. The purpose of the environmental site assessments was to assess whether evidence of potential or actual environmental contamination exists at the Initial Properties. Prior environmental site assessments were prepared between 2007 and 2008 for 285 of the Initial Properties by our consultant and a separate consultant. In 2011, our consultant prepared environmental site assessments for the remaining seven Initial Properties and updated the environmental site assessments in respect of the 285 Initial Properties for which environmental site assessments had previously been prepared. In addition, our consultant reviewed excerpts from the public register of contaminated land (*Altlastenkataster*) for each of the Initial Properties. Phase 1 environmental reports, including visual site inspections, were conducted on 12 Initial Properties in order to confirm the information in the public register regarding specific and/or unusual environmental issues or that no significant environmental issues exist at these properties.

Overall, a tiered-risk approach was employed to maximize utility of available resources in targeting sites with the highest risk potential. Sites were assessed and categorized into high, medium, low and no risk criteria with additional consideration given to the Initial Properties identified as high risk.

42 Initial Properties were identified as having possible but non-actionable concerns mainly based on the former operation of underground fuel tanks. Given that the appropriate decommissioning of the tanks at each of these sites appears to have occurred where required, the identified risk is perceived to be diminished and can be mitigated, where necessary, in the event of any major redevelopment or excavation.

Based on the review of documentation which was available for 102 properties and visual site inspections, the environmental site assessment reports classified the possible existence of building material pollutants for 24 of the Initial Properties with a low risk and for 60 of the Initial Properties with a medium risk. Eighteen of the Initial Properties were identified as having a high risk of possible existence of building material pollutants. Of these properties, future remediation will likely be required for nine properties if there is a change of use, major refurbishment or redevelopment of the property. An additional three of these Initial Properties potentially require remediation work over the longer term and six of these Initial Properties with high risk of possible existence of building material pollutants may require remediation work in the short term. A further review of these properties will be undertaken. An environmental management plan will be instituted for all of these properties.

We have negotiated an indemnity from Sub-Fund I for any claims against us resulting from environmental damage for two other Initial Properties to a maximum of €3 million and a further indemnity from Sub-Fund I for claims against us resulting from environmental damage of which on Closing Sub-Fund I had knowledge and we did not.

Management is of the view that current estimated cost of expenditures with respect to actual or potential environmental conditions will not have a material adverse effect on our operations or financial results. We intend to apply for a comprehensive environmental impairment liability insurance policy covering the Initial Properties which will reduce our exposure to any unforeseen incidents or historical issues.

Property Condition Assessments

The Initial Properties have been the subject of certain property condition assessment reports prepared between 2007 and 2011. A German-based consultant that had previous experience with many of the Initial Properties was selected in order to investigate compliance with applicable jurisdictional standards and best practices during completion of the assessments and reports. The consultant had previously inspected the majority of the Initial Properties in 2008. Any Initial Properties not physically inspected by the consultant in 2008 were physically inspected in 2011. As well, approximately 10% of the Initial Properties physically inspected in 2008 were re-inspected in 2011. Reports on properties inspected in 2008 were updated through a review of due diligence materials provided by Caroline Holdings, incorporating a specific analysis of maintenance expenditures for the years 2008 through 2010.

Property condition assessment reports were prepared for each of the Initial Properties for the purpose of assessing and documenting the existing conditions of each building and major building operating components and systems forming part of the Initial Properties. The reports catalogued ongoing repairs, maintenance and replacement of capital items in respect of the Initial Properties, and also identified and quantified major defects in materials or systems which would likely necessitate capital expenditures over the next ten years. Based on the property condition assessment reports and DRC's own inspections, the Initial Properties appear to be well maintained, in accordance with their use. An interview with Deutsche Post and DP Real Estate provided comfort that the key tenant in the Initial Properties is generally satisfied with the past level of capital spending and the current physical condition of the Initial Properties.

The property condition assessment reports identified approximately €73.7 million in estimated possible maintenance and upgrade capital expenditure costs over the next ten years. In DRC's experience, capital expenditure estimates in property condition assessments prepared at the time of acquisition typically exceed spending that will actually be required subsequent to the completion of that transaction.

We expect to incur capital repair spending, both recoverable and non-recoverable, as well as leasing costs for new and renewal tenancies. We estimate that the DP Leases will provide for recovery of about €25 million in potential spending over the next ten years as discussed under "The Initial Properties – Deutsche Post Lease Terms – Maintenance and Alteration" and "The Initial Properties – Deutsche Post Lease Terms – Ancillary Costs". Some other third party leases also provide for limited recovery of capital expenditures. We believe we will incur an additional €19.5 million in non-recoverable maintenance capital expenditures over that ten year period, representing an allowance equal to 3% of portfolio NOI. We also expect to incur €32.5 million in leasing costs or 5% of NOI (including the NOI generated by the DP Leases). A small portion of these leasing costs will be expended on items identified by the consultants for upgrading the physical condition of existing or potential tenant premises and common areas. On Closing, Sub-Fund I will direct approximately €6.1 million of the Reallocation Consideration into a reserve account established by the Dundee FCPs to be applied by the Dundee FCPs toward the payment of capital and other expenditures required for the Initial Properties. Based on the foregoing, we believe that we have made sufficient provision for capital repair spending in our cash flow projections.

As part of our annual asset review program, we will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Initial Properties remain competitive. We intend to manage capital expenditures prudently and maintain the physical improvements of the Initial Properties in good condition. We will also expend capital on upgrades where appropriate, especially if we believe such spending will accelerate lease-up of vacant space and assist in the retention of expiring tenants.

RELATIONSHIP WITH DUNDEE REALTY CORPORATION

Dundee Realty Corporation

Established in 1996, Toronto-based DRC has approximately $5 billion of assets under management and is one of Canada's leading, privately owned real estate companies. The scope of its business includes residential land development, housing and condominium development and residential and commercial property ownership. DRC is focused on commercial and residential real estate investment and development as well as investments in Canadian renewable energy infrastructure assets. DRC has a strong management team with extensive experience in real estate investment and asset management and a track record of creating value. DRC's principals have earned a reputation for being capable, smart and creative.

DRC has in-depth experience with European investors, and expertise in international taxation issues and non-resident taxation. DRC carries out its own research and analysis, financial modeling, due diligence, budgeting and financial planning. DRC is experienced in co-investment strategies, and acts as the exclusive Canadian asset manager for a major European fund initiator, sourcing, acquiring and co-investing in commercial properties. DRC has an extensive network of Canadian and international joint venture partners, financial institutions, legal and tax advisors, brokers, operators and other real estate professionals.

DRC's achievements include having formed Dundee REIT, one of Canada's most successful publicly-traded real estate investment trusts. DRC is the asset manager to Dundee REIT which has provided investors with a solid platform for growth and reliable cash flow. DRC provides asset management and other services to Dundee REIT, and in that capacity has advised Dundee REIT in 18 public equity or convertible debenture offerings for gross proceeds of $2 billion.

DRC was founded as a public company in 1996 with one employee and initial equity of $500,000. Between 1996 and 1998, DRC achieved significant growth by acquiring seven distinct operating groups or portfolios of real estate assets. These acquisitions provided DRC with several platforms consisting of infrastructure and experienced and knowledgeable local personnel. During this 24 month period, DRC's assets grew to in excess of $1 billion. Notable acquisitions during this time included:

- Canlight Property Management Limited ("Canlight"), which provided DRC's initial accounting and property management infrastructure and residential property capability. Jason Lester, one of Canlight's former key executives, is the Chief Operating Officer of DRC and is primarily responsible for DRC's condominium developments and Western Canadian land and housing business.
- V&A Properties, which added commercial property expertise and presence in the real estate market in Toronto, Ontario. Approximately $200 million of property acquisitions were completed within the first 18 months after founding DRC. Ana Radic, one of V&A Properties' former employees, is the Senior Vice President, Eastern Canada for Dundee REIT's operating subsidiary.
- Lehndorff Tandem Group ("Lehndorff"), which provided DRC with a critical mass of commercial real estate assets across Canada and regional operating offices in Vancouver, Edmonton, Calgary, Ottawa and Montreal. A number of DRC's current executive officers and employees were formerly employees of Lehndorff, including Randy Cameron, the Senior Vice President, Western Canada for Dundee REIT's operating subsidiary, and Jane Gavan, our Chief Executive Officer and a Principal of Dundee Real Estate Asset Management responsible for executing corporate strategy and is directly responsible for major corporate, financing and real estate transactions.

DRC formed Dundee REIT in 2003 as a new publicly-traded vehicle and transferred its commercial revenue producing properties to Dundee REIT, while DRC maintained its development and other businesses. Dundee REIT grew significantly after its formation, more than doubling its total assets and nearly doubling its total revenues until 2007, when it sold its portfolio of real estate assets in Ontario and Eastern Canada for a total purchase price of approximately $2.4 billion. As a result of that transaction, unitholders of Dundee REIT received a cash payment of approximately $1.5 billion. Dundee REIT has continued to grow significantly since that transaction, having recently surpassed its pre-2007 size, measured by assets, and almost achieved comparable total rental properties revenue. In total, DRC's and Dundee REIT's combined transaction volume since 1996 is approximately $10 billion.

Dundee REIT has continued its track record of achieving growth through acquisitions. In the first five months of 2011, Dundee REIT has completed or is at various stages of due diligence with respect to a total of $879 million of acquisitions.

Ownership

Following Closing, DRC will hold 2,800,000 Units, representing approximately 5.9% of our outstanding Units on a fully-exchanged basis (approximately 5.4% if the Over-Allotment Option is exercised in full). DRC has taken the initiative in founding and organizing the REIT. In connection with DRC's formation of the REIT, DRC subscribed for 800,000 Units for $400,000 in cash. We will reimburse DRC for all reasonable expenses incurred by it in connection with the founding and organizing of the REIT, including financial, legal, accounting, tax, travel, filing and printing fees. DRC did not receive any acquisition or other fee in connection with the founding and organization of the REIT. DRC will provide asset management services to us as set out in the Asset Management Agreement, including the provision of senior management of the REIT and the management of acquisitions, due diligence, dispositions, tenant relations, strategic planning, business plan preparation, deal structuring and financing. See "– Asset Management Agreement".

Asset Management Agreement

DRC will be our asset manager. Pursuant to the Asset Management Agreement, DRC will provide the following asset management services to the Client:

1. provide the services of a senior management team to provide advisory, consultation and investment management services and monitor the financial performance of the Client;
2. advise the Trustees on strategic matters, including potential acquisitions, dispositions, financings, and development;
3. provide guidance to the property manager on operating and capital expenditures;
4. identify, evaluate, recommend and assist in the structuring of acquisition, disposition, and other transactions;
5. advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;
6. make recommendations with respect to the payment of distributions;
7. provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the Client;
8. advise the Client with respect to investor relations strategies and activities;
9. advise with respect to regulatory compliance requirements, risk management policies and certain litigation matters; and
10. any additional services as may from time to time be agreed to in writing by the Client and DRC for which DRC will be compensated on terms to be agreed upon between DRC and the Client prior to the provision of such services.

DRC will provide additional services as may from time to time be required. See "Real Estate Management and Advisory Services – Administrative Services under the Asset Management Agreement".

DRC is entitled to the following fees for its asset management services:

- Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the historical purchase price of the properties.
- Incentive fee equal to 15% of our AFFO per Unit in excess of $0.93 per Unit, increasing annually by 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the Trustees) of the jurisdictions in which the properties are located.
- Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1 million excluding work done on behalf of tenants or any maintenance capital expenditures.

- Acquisition fee equal to: (a) 1.0% of the purchase price of a property, on the first $100 million of properties in each fiscal year; (b) 0.75% of the purchase price of a property on the next $100 million of properties acquired in each fiscal year, and (c) 0.50% of the purchase price on properties in excess of $200 million in each fiscal year. DRC will not receive an acquisition fee in respect of the Acquisition.
- Financing fee equal to 0.25% of the debt and equity of all financing transactions completed for the Client to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions. DRC will not receive a financing fee in respect of the Acquisition.

In addition, we will reimburse DRC for all reasonable and necessary actual out-of-pocket costs and expenses incurred by DRC in connection with the performance of the services described in the Asset Management Agreement or such other services which we and DRC agree in writing are to be provided from time to time by DRC.

Pursuant to the Asset Management Agreement, DRC may elect to receive all or part of the fees payable to it for its asset management services in Deferred Trust Units under the Deferred Unit Incentive Plan. The number of Deferred Trust Units issued to DRC will be calculated by dividing the fees payable to DRC by the market value on the relevant payment date of the Units. Market value for this purpose is the weighted average closing price of the Units on the principal market on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date. The Deferred Trust Units will vest on a five-year schedule, pursuant to which one-fifth of the Deferred Trust Units will vest, starting on the sixth anniversary of the grant date. Income Deferred Trust Units will be credited to DRC based on distributions paid by us on the Units and such Income Deferred Trust Units will vest on the same five-year schedule as their corresponding Deferred Trust Units. See "Executive Compensation – Deferred Unit Incentive Plan". DRC has irrevocably elected to receive the first $3.5 million of the fees payable to it in each year for the first five years for its asset management services in Deferred Trust Units.

The Asset Management Agreement is for a term of ten years (the "Initial Term") and is renewable for further five year terms (the "Renewal Terms", and together with the Initial Term, the "Term"), unless and until the Asset Management Agreement is terminated in accordance with the provisions thereof. Subject only to the termination provisions in the Asset Management Agreement, DRC will automatically be rehired at the expiration of each Term. DRC has the right, at any time, but upon 180 days' notice, to terminate the Asset Management Agreement for any reason; provided, however, DRC may not terminate the Asset Management Agreement during the Initial Term.

We will have the right to terminate the Asset Management Agreement in the event of default or event of insolvency of DRC (within the meaning of the Asset Management Agreement) by giving notice to DRC, which notice shall provide the reason for termination in reasonable detail and shall be effective in accordance with the provisions of the Asset Management Agreement.

We may also terminate the Asset Management Agreement at the end of a Term if the Independent Trustees determine that DRC has not been meeting its obligations under the Asset Management Agreement and such termination is approved by at least two-thirds of the votes cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that we provide DRC with at least 12 months' prior written notice of such termination.

KEY INVESTORS

Investment by Dundee Realty Corporation

DRC has taken the initiative in founding and organizing the REIT. In connection with DRC's formation of the REIT, DRC subscribed for 800,000 Units for $400,000 in cash. We will reimburse DRC for all reasonable expenses incurred by it in connection with the founding and organizing of the REIT, including financial, legal, accounting, tax, travel, filing and printing fees. DRC did not receive any acquisition or other fee in connection with the founding and organization of the REIT.

At Closing, DRC will invest $20 million in us by way of a subscription for Units on the same terms and at the same price per Unit as purchasers under the Offering. Following Closing, DRC will hold 2,800,000 Units, representing approximately 5.9% of the outstanding Units on a fully-exchanged basis (approximately 5.4% if the Over-Allotment Option is exercised in full). The Underwriters will not receive any underwriting or other fee in respect of the Units purchased by DRC. See "Relationship with Dundee Realty Corporation".

Investment by Dundee Corporation

At Closing, Dundee Corporation will invest $100 million in us by way of a subscription for Units on the same terms and at the same price per Unit as purchasers under the Offering. Following Closing, Dundee Corporation will hold 10,000,000 Units (not including the Units held by DRC), representing approximately 20.9% of the outstanding Units on a fully-exchanged basis (approximately 19.3% if the Over-Allotment Option is exercised in full). The Underwriters will not receive any underwriting or other fee in respect of the Units purchased by Dundee Corporation.

The Declaration of Trust provides Dundee Corporation with a pre-emptive right pursuant to which the Trustees will not, subject to limited exceptions, issue, or agree to issue, any Units, or any securities which are convertible or exchangeable for or into Units, to any person unless the Trustees first make an offer to Dundee Corporation to issue that number of Units or securities on the terms and subject to the conditions set out in the Declaration of Trust. See "Declaration of Trust and Description of REIT Units – Issuance of REIT Units".

Dundee Corporation is an independent publicly traded Canadian asset management company with expertise in real estate, resources, energy and infrastructure investments. Dundee Corporation's asset management activities are primarily conducted through Ned Goodman Investment Counsel Limited, Dundee Real Estate Asset Management, the asset management division of DRC, Dundee Resources Limited, and Dundee Capital Markets Inc.

LSF INTEREST

Investment by LSF

Sub-Fund I acquired approximately 1,200 properties, including the Initial Properties from Deutsche Post in July 2008. The transaction was structured as a sale and leaseback arrangement under which Deutsche Post leased back the Caroline Portfolio from Lorac, in its own name but for the account of Sub-Fund I, under operating leases.

In connection with the negotiation of the Acquisition, DRC sought and obtained a commitment from LSF to invest the Euro equivalent of $80 million (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros) in us in the form of Exchangeable Notes.

Exchangeable Notes

Pursuant to the Framework Agreement, the LSF investment will be structured as two loans to Dundee Lux Holdco, to be denominated in Euros and to be evidenced by Exchangeable Notes, Series A and Exchangeable Notes, Series B.

The Exchangeable Notes will be exchangeable in accordance with their terms and the terms of the Exchange Agreement into a fixed number of Units. The Exchangeable Notes will be exchangeable for 8,000,000 Units, which will be subject to customary anti-dilution adjustments. The Exchangeable Notes are due 10 years from the date of issue and may be repaid in whole or in part by the issuance of the Exchange Number. The Exchangeable Notes bear interest in an aggregate amount equal to the amount distributed on the Exchange Number. See "– Exchange Agreement" below.

Exchange Agreement

At Closing, the REIT, Dundee Lux Holdco and LSF will enter into the Exchange Agreement. The Exchange Agreement, together with the Exchangeable Notes, provides the holder of the Exchangeable Notes with the right, exercisable at any time or from time to time, to require us to exchange such Exchangeable Notes for the Exchange Number in accordance with the terms and conditions of the Exchange Agreement. Pursuant to the Exchange Agreement, each Euro equivalent of $10 (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros) principal amount of Exchangeable Notes will be exchangeable for one Unit, subject to customary anti-dilution adjustments. The Exchange Agreement also provides us with the right to require the holder of the Exchangeable Notes to exchange all but not less than all of its Exchangeable Notes if: (a) the number of Units for which outstanding Exchangeable Notes are exchangeable falls below a certain threshold; or (b) there occurs or is about to occur an amalgamation, merger, arrangement, take-over bid, material transfer or sale of securities of the REIT or similar transaction involving the REIT or a wholly-owned Subsidiary of the REIT and the Board of Trustees determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially duplicate the terms and conditions of the Exchangeable Notes in connection with such transaction and the exchange of all but not less than all of the Exchangeable Notes is necessary to enable the completion of such transaction in accordance with its terms. The Exchange Agreement also provides for the automatic exchange of all outstanding Exchangeable Notes into Units prior to the liquidation, dissolution or winding-up of the REIT, Dundee LP, Dundee Gibraltar or Dundee Lux Holdco.

Pursuant to the Exchange Agreement, so long as any Exchangeable Notes are outstanding, we have agreed that we will not pay any distribution on the Units unless Dundee Lux Holdco shall on the same day pay the Currency Adjusted Equivalent Amount (as defined in the Exchange Agreement) of such distribution to LSF in the form of interest on the Exchangeable Notes and that we will take all such other actions as are reasonably necessary to ensure that the payment date for interest on Exchangeable Notes is the same as the payment date for the corresponding distribution on the Units. In addition, so long as any Exchangeable Notes are outstanding, we will not create any class of preferred equity units that rank in preference or priority over the Units.

Pursuant to the Exchange Agreement, LSF has demand registration rights whereby it may once per calendar year up to five time in total require the REIT to qualify some or all of the Units held by LSF that were issued upon the exchange of Exchangeable Notes for distribution by way of a prospectus filed with the applicable Canadian securities regulatory authorities. In addition, the Exchange Agreement provides LSF with piggy-back registration rights to require the REIT to include some or all of the Units held by LSF, including Units issuable upon exchange of Exchangeable Notes, in future public offerings undertaken by the REIT. These rights are subject to various conditions and limitations, and we will be entitled to defer any such filings required by LSF in certain circumstances for a limited period.

FINANCING OF THE INITIAL PROPERTIES

We have signed a binding commitment letter with a banking syndicate initially comprised of one French and three German banks, pursuant to which the lenders will provide us on Closing with a term loan credit facility in the principal amount of €328.5 million representing approximately 45% of the market value of the Initial Properties (the "Term Loan Credit Facility").

The Term Loan Credit Facility will have a term of five years from Closing, which we may extend for a further two years, subject to the satisfaction of certain conditions precedent at the time of the extension.

Variable rate interest will be calculated and payable quarterly under the Term Loan Credit Facility at a rate equal to the aggregate of the three month EURIBOR plus a margin (the "Margin") of 200 basis points (plus any mandatory bank regulatory cost, which is not anticipated). Pursuant to the Term Loan Credit Facility, we will be required to enter into an interest rate swap that will fix 80% of the variable interest rate payable under the Term Loan Credit Facility at a fixed interest rate not to exceed 3.5% (excluding the Margin) and we will be required to purchase a cap instrument to cover 10% of the variable rate interest payable so that such interest rate does not exceed 5% (excluding the Margin). The remaining 10% of interest payable will continue to be calculated quarterly on a variable rate basis. Based on negotiations with Sub-Fund I, Sub-Fund I has agreed to pay approximately €7 million towards the purchase of an in-the-money swap to reflect the difference between the anticipated costs of the loan under the Term Loan Credit Facility and the negotiated cost. We anticipate that as a consequence of entering into the foregoing interest rate hedging instruments and the in-the-money swap, the effective interest rate payable at Closing under the Term Loan Credit Facility will be approximately 4.1% per annum.

No amortization of principal under the Term Loan Credit Facility is required during the first three years after Closing. Thereafter interest together with amortization of principal equal to 2% per annum of the initial loan amount will be payable on a quarterly basis (including the extension term, if any). In addition, we are required to repay €100 million plus an applicable prepayment premium of 15% through dispositions or refinancings of a portion of the Initial Properties within the first two years following Closing, failing which we will be required to pay additional interest of 1% on the portion of this €100 million amount which is not repaid by the second anniversary of the Closing. We will also be required to pay commitment and other customary fees in connection with the Term Loan Credit Facility. The Term Loan Credit Facility will require that in the event that we do not obtain the consent to the registration of a land charge securing an Initial Property which is located in an urban refurbishment, redevelopment or reallocation area from the competent public authority having jurisdiction over such Initial Property, we will be required to repay the amount of the Term Loan Credit Facility allocated to such Initial Property together with the required prepayment premium. We expect that we will obtain all required consents in connection with this obligation. See "Certain Legal Matters Relating to Property in Germany".

The Term Loan Credit Facility will be secured by first ranking mortgages on all of the Initial Properties and first ranking security on the related assets being acquired by us under the Acquisition. Recourse under the Term Loan Credit Facility will be limited to these secured assets.

We may voluntarily repay amounts outstanding under the Term Loan Credit Facility at any time subject to the payment of certain fixed prepayment penalties in years one to four of the term, together with customary breakage costs and the satisfaction of certain conditions. No prepayment penalties are payable for any voluntary repayment of principal in the fifth year of the term. In addition, subject to certain limitations, we may, at any time, make voluntary partial repayments of principal, plus the applicable prepayment penalty and customary breakage costs, to obtain discharges of the banks' security against specific Initial Properties subject to certain limitations. We may exercise this right to obtain conventional mortgages on such properties if we so choose. Mandatory repayments of between 110% and 125% (with the average being 115%) of the principal allocated to a particular Initial Property will be required in the event that we sell an Initial Property.

The Term Loan Credit Facility will include conditions precedent, representations and warranties, financial and non-financial covenants, change of control acceleration rights (including on a change of control of the REIT) and events of default customary for a credit facility of this nature in Germany.

The Term Loan Credit Facility will require that all net rental income from the Initial Properties be paid into a rent collections account that we establish, to be released only after budgeted non-recoverable operating expenses (including an agreed property and asset management fee) are paid.

The Term Loan Credit Facility will also include default and cash trap covenants requiring us to maintain certain loan-to-value and debt service coverage ratios, each of which will be tested on a quarterly basis. If these ratios are not met at any time, the lenders may withhold 50% of the excess cash flow on a monthly basis as additional security for the Term Loan Credit Facility until such time as the ratios are once again satisfied. Upon satisfaction of the relevant ratio, the excess cash flow may again be distributed to us; however, any cash previously trapped will not be released and will be used at the time of each future quarterly testing date until the ratio is satisfied for two consecutive quarters.

In addition, the Term Loan Credit Facility will require that Dundee Corporation, DRC and their affiliates maintain at least $120 million of equity in the REIT for a two year period from Closing and at least $48 million of equity for the remainder of the term of the Term Loan Credit Facility. Dundee Corporation and DRC have agreed with us to abide by this requirement.

One of the lenders in the banking syndicate is indirectly owned by funds that were organized by the same principals as Lone Star, which indirectly owns LSF.

DEBT STRATEGY

Future Debt Strategy

Our future debt strategy will be to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit re-financing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities.

We will use debt level indicators and cash flow measures to assess our ability to meet our financing obligations. We intend to target a debt level in a range of 55% to 60% of historical purchase price including convertible debentures. In the future, as we secure mortgages on individual properties in excess of this range, we will be in a position to accumulate unencumbered properties. These properties will provide added flexibility to our capital structure as we will be able to place financing on them to take advantage of a buying opportunity or to replace expiring debt when refinancing options are limited or expensive. To monitor cash flow, we will monitor our interest coverage ratio and debt-to-EBITDA ratio. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times.

Interest Rate Swaps

On Closing, we will enter into arrangements with an arm's length counterparty in order to hedge a substantial portion of the Term Loan Credit Facility. Pursuant to these arrangements, we will exchange at least 80% of our variable rate interest obligations for fixed rate interest obligations for five years at a fixed interest rate not to exceed 3.5% (excluding the Margin). As of July 15, 2011, the 10-day average of the five-year interest swap rate was equal to approximately 2.5%. We will also hedge at least an additional 10% of our variable rate interest with a cap not to exceed 5% per annum (excluding the Margin). Based on our negotiations with Sub-Fund I, Sub-Fund I has agreed to pay approximately €7 million towards the purchase of an in-the-money swap to reflect the difference between the anticipated costs of the loan under the Term Loan Credit Facility and the negotiated cost. Our Executive Committee will review our interest rate hedging strategy from time to time and make recommendations to the Board of Trustees.

CURRENCY HEDGING ARRANGEMENTS

Given that substantially all of our investments and operations will be conducted in currencies other than Canadian dollars and that we will pay distributions and interest payments to Unitholders and Debentureholders, respectively, in Canadian dollars, we intend to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders and interest to Debentureholders. At the time of pricing of the Offering, we entered into currency hedging arrangements with an arm's length counterparty pursuant to which the counterparty has agreed to exchange Euros for Canadian dollars on a monthly basis at an agreed exchange rate.

The hedging arrangements have been implemented initially for a term of two years. Our Executive Committee will assess our currency hedging strategy from time to time and make recommendations to the Board of Trustees.

NON-IFRS RECONCILIATION

The following table reconciles forecast net income to FFO and AFFO (See "Non-IFRS Measures" and "Financial Forecast").

(in thousands of Canadian dollars, except per Unit amounts)	Three-month periods ending				Twelve-month period ending
	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	June 30, 2012
Net Income for the period	$ 1,775	$ 8,664	$ 8,888	$ 9,100	$28,427
Add/(Deduct)					
Acquisition costs	6,389	—	—	—	6,389
Amortization of tenant incentives	35	156	228	312	731
Fair value adjustment on investment properties	—	—	—	—	—
Interest on Exchangeable Notes	1,600	1,600	1,600	1,600	6,400
Deferred income taxes	974	954	943	930	3,801
Fair value adjustment on financial instruments	—	—	—	—	—
FFO	10,773	11,374	11,659	11,942	45,748
Add/(Deduct):					
Leasing cost reserve	(1,025)	(1,025)	(1,025)	(1,025)	(4,100)
Capital expenditure reserve	(600)	(600)	(600)	(600)	(2,400)
Accretion of debenture conversion feature	190	194	198	202	784
Amortization of financing costs	613	619	626	633	2,491
Deferred compensation expense	132	132	132	132	528
AFFO	$10,083	$10,694	$10,990	$11,284	$43,051
FFO/Unit(1)	$ 0.23	$ 0.24	$ 0.24	$ 0.25	$ 0.96
AFFO/Unit(1)	$ 0.21	$ 0.22	$ 0.23	$ 0.24	$ 0.90
Net Income/Unit(1)	$ 0.04	$ 0.22	$ 0.22	$ 0.23	$ 0.71

(1) Forecast FFO and AFFO per Unit amounts are based on 47,800,000 Units including Units issuable upon the exchange Exchangeable Notes but not including Units issuable upon conversion of the Debentures. Forecast Net Income per Unit amounts are based on 39,800,000 Units excluding Units issuable upon exchange of the Exchangeable Notes and upon conversion of the Debentures.

FINANCIAL FORECAST

The following financial forecast was prepared by management of DRC on behalf of the REIT, using assumptions with an effective date of July 15, 2011, and was approved by our Board of Trustees on July 15, 2011. Pursuant to applicable securities policies, we will be required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany our annual or interim Management's Discussion and Analysis for the relevant periods.

The forecast has been prepared in accordance with the measurement, presentation and disclosure of financial forecasts established by The Canadian Institute of Chartered Accountants ("CICA") and provided in Part V to the CICA Handbook – Accounting. The forecast has been prepared using assumptions that reflect management's intended courses of action for us for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing will occur on July 1, 2011.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See also "Forward-Looking Information".

The financial forecast should be read in conjunction with our unaudited *pro forma* consolidated financial statements, our audited opening balance sheet and the audited carve-out financial statements and unaudited interim condensed carve-out financial statements of the Initial Properties contained in this prospectus. See "Index to Financial Statements".

Auditor's Report on Consolidated Financial Forecast

To the Board of Trustees of Dundee International Real Estate Investment Trust

The accompanying financial forecast of Dundee International Real Estate Investment Trust (the "REIT"), consisting of the consolidated statements of forecast net income and comprehensive income for each of the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012 and the twelve-month period ending June 30, 2012, has been prepared by management using assumptions with an effective date of July 15, 2011. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline set out in The Canadian Institute of Chartered Accountants Handbook – Assurance. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the forecast;
- this forecast reflects such assumptions; and
- the financial forecast complies with the presentation and disclosure standards for forecasts set out in Part V to The Canadian Institute of Chartered Accountants Handbook – Accounting.

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

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
July 21, 2011

Consolidated Statements of Forecast Net Income and Comprehensive Income

(in thousands of Canadian dollars)	Three-month periods ending				Twelve-month period ending
	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	June 30, 2012
Investment properties revenue	$34,929	$35,482	$35,945	$36,161	$142,517
Investment properties operating expenses	14,741	14,753	15,043	15,049	59,586
Net rental income	20,188	20,729	20,902	21,112	82,931
Other income and expenses					
Portfolio management	1,194	1,194	1,194	1,194	4,776
General and administrative	943	943	943	943	3,772
Fair value adjustment to investment properties	—	—	—	—	—
Interest	8,913	8,974	8,934	8,945	35,766
Fair value adjustment to financial instruments	—	—	—	—	—
	9,138	9,618	9,831	10,030	38,617
Acquisition costs	6,389	—	—	—	6,389
Income before taxes	2,749	9,618	9,831	10,030	32,228
Income tax expense					
Current	—	—	—	—	—
Deferred	974	954	943	930	3,801
Net Income	1,775	8,664	8,888	9,100	28,427
Other comprehensive income					
Foreign currency translation adjustment	—	—	—	—	—
Comprehensive income for the period	$ 1,775	$ 8,664	$ 8,888	$ 9,100	$ 28,427

See accompanying notes to consolidated statements of forecast net income and comprehensive income

Notes to the Consolidated Statements of Forecast Net Income and Comprehensive Income (in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

1. Purpose of the Financial Forecast:

This financial forecast has been prepared by management of DRC on behalf of the REIT for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. Basis of Presentation of Financial Forecast:

The REIT is a recently created unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust when 800,000 Units were issued to DRC for $400 cash. The REIT was established under the laws of the Province of Ontario. The REIT has been formed to indirectly acquire the Initial Properties, which are located throughout Germany and are primarily leased to Deutsche Post.

The financial forecast consists of the consolidated statements of forecast net income and comprehensive income for the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012 and for the twelve-month period ending June 30, 2012. The financial forecast has been prepared by management of DRC on behalf of the REIT using assumptions with an effective date of July 15, 2011, and reflects the assumptions described in note 4.

Subsequent to entering into the Framework Agreement and pursuant to the Reallocation Agreement, the REIT had the option of excluding three properties from the Acquisition if the REIT was not satisfied with the results of further due diligence. Upon completion of such due diligence, the REIT has elected to exclude these three properties. These three properties are included in the portfolio of properties defined as the Jupiter Portfolio in the carve-out financial statements (see "Index to Financial Statements") and in management's discussion and analysis of financial condition and results of operations (see "Management's Discussion and Analysis of Financial Condition and Results of Operations") but are not reflected in this forecast.

The financial forecast has been prepared using assumptions that reflect management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed in our annual or interim Management's Discussion and Analysis for such periods. The actual results achieved during the forecast periods will vary from the forecast results, and these variations may be material.

3. Significant Accounting Policies:

The financial forecast has been prepared in accordance with Part V to the CICA Handbook – Accounting and reflects the following accounting policies in accordance with IFRS as issued by the IASB:

(a) Revenue recognition:

Revenue includes rents earned from tenants under lease agreements, realty tax and operating cost recoveries, parking revenue, management fees and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

We follow the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Tenant incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

(b) Amortization:

Furniture, fixtures and equipment are amortized on a straight-line basis over a period appropriate to the expenditure, ranging from three to 10 years.

Costs directly attributable to tenant inducements are capitalized. Amortization of such inducements is recorded as a reduction of rental revenue and is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Financing costs are presented with the related debt and amortized using the effective interest rate over the anticipated life of the related debt.

(c) Investment properties:

Investment properties are initially recorded at cost and include commercial properties held to earn rental income and/or for capital appreciation. We follow the fair-value model to measure the investment properties, determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise.

(d) Exchangeable Notes:

The Exchangeable Notes are entitled to interest payments equivalent to distributions on Units. The Exchangeable Notes are measured at amortized cost. As the principal of the Exchangeable Notes will be settled in Units, they are remeasured each period to fair value, with changes in fair value recorded in comprehensive income.

(e) Foreign currency translation:

The historical financial statements of the Initial Properties are presented in Euros, which is also their functional currency. The presentation currency for our consolidated financial statements is Canadian dollars, which is also our functional currency.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period. The resulting foreign currency translation adjustments are recognized in other comprehensive income ("OCI").

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the income statement, except for those related to monetary liabilities qualifying as hedges of our investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in OCI.

(f) Business Combinations:

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets acquired, the difference is recognized directly in the profit or loss for the year as negative goodwill. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

(g) Convertible debentures:

The Debentures are separated into two financial liability components: the host instrument and the conversion feature and upon issuance are both measured based on their respective fair values. Subsequent to initial recognition, the host instrument is accounted for at amortized cost and the conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period.

(h) Deferred Unit Incentive Plan:

We will have a Deferred Unit Incentive Plan that provides for the grant of Deferred Trust Units and Income Deferred Trust Units to Trustees, officers, employees, and affiliates and their service providers (including DRC). Unvested Deferred Trust Units are recorded as a liability and compensation expense and asset management expense is recognized over the vesting period based upon the fair value of the Deferred Trust Units. Once vested, the liability is remeasured at each reporting date at fair value with changes in fair value being recognized in comprehensive income. Income Deferred Trust Units are accounted for as a distribution and an issuance of Units when the related Deferred Trust Units vest. No amount related to Income Deferred Trust Units is recognized in comprehensive income.

(i) Income taxes:

The REIT intends to qualify as a mutual fund trust under the Tax Act. The REIT will not be a SIFT provided that the REIT complies at all times with its investment restrictions that preclude the REIT from investing in any entity other than a portfolio investment entity or holding any non-portfolio property. The Trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current tax, and from deferred tax relating to temporary differences in the REIT, so long as we continue to expect to distribute all of our taxable income and taxable capital gains to its unitholders. Accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the financial forecast in respect of the REIT.

The tax expense related to taxable subsidiaries for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The REIT will indirectly own the Initial Properties through the Dundee FCPs. The income tax treatment of non-German residents, such as the Dundee FCP Unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether the Dundee FCP Unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this remaining uncertainty, the REIT has structured its affairs assuming that the Dundee FCP Unitholders would be subject to corporate income tax in Germany and has prepared this financial forecast on that basis. We expect that sufficient deductions

will be available in determining taxable income, including tax depreciation and reasonable interest expense, which are described in more detail below. Accordingly, we do not expect that the amount of corporate income tax, if any, that would be ultimately determined to be payable by the Dundee FCP Unitholders would be material.

The following assumptions were used in computing current and deferred income taxes included in this financial forecast:

- The rate of corporate income tax payable on German taxable income would be 15.825%, including a 5.5% solidarity surcharge;
- Taxable income for German corporate income tax purposes is determined by deducting certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm's length terms;
- Buildings can generally be depreciated on a straight-line basis at a rate of either 2% or 3% depending on the age of the property; and
- The deduction of interest expense, which must reflect arm's length terms, is generally restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expense incurred up to a maximum of 30% of the taxable earnings before interest, tax, depreciation and amortization. However, an exception is available where annual interest expense is less than €3,000 for each taxpayer. For this purpose, each Dundee FCP Unitholder is a separate taxpayer and therefore the total interest deductible under the current structure is approximately $62,100.

The following table reconciles the total income tax provision for the twelve-month period ended June 30, 2012 at the German statutory corporate income tax rate including solidarity surcharges potentially applicable to our indirect ownership of the Initial Properties as described above, all of which are deferred taxes:

Income tax provision based on German statutory rate of 15.825%	$ 5,099
Increase (decrease) in provision resulting from:	
Non-deductible items	3,747
Interest expense at FCP level	(5,127)
Other	82
Total Income Tax Provision	$ 3,801

4. Significant Assumptions

(a) Transactions:

The financial forecast assumes that on July 1, 2011, the REIT raised gross proceeds of $410,000 pursuant to the Offering through the issuance of 27,000,000 Units at $10.00 per Unit and $140,000 aggregate principal amount of 5.5% convertible unsecured subordinated debentures (excluding any over-allotment option). The REIT has allocated $7,049 to the conversion feature that will be accreted to the principal portion of the debt over its term and has charged $5,950 of costs that will be amortized over the term. Costs relating to the Offering, including underwriters' fees, are forecast to be $23,750 of which $17,800 are charged directly to unitholders' equity and $5,950 are charged against the Debentures and subsequently measured at amortized cost.

For purposes of this financial forecast, it is assumed that the Closing of the transactions contemplated by this prospectus occurred on July 1, 2011. On Closing, it is assumed that the Dundee FCPs acquired the Initial Properties from Sub-Fund I for a gross purchase price of approximately $1,008,964 (€736,470), pursuant to the Framework Agreement and the Reallocation Agreement. The acquisition will be accounted for as a business combination.

(i) Acquisitions:

Upon completion of the Offering, we will use the net proceeds to indirectly acquire the Initial Properties. Acquisition costs of $6,389 are charged directly to net income.

Net assets acquired using the purchase method of accounting are recorded at their fair values on a preliminary basis as follows:

Initial Properties:	$ 1,008,964
Net assets acquired	$ 1,008,964

Consideration given by the REIT consists of the following:	
Proceeds of Exchangeable Notes	$ 80,000
Cash	928,964
Consideration given by the REIT	$1,008,964

(ii) Debt:

On Closing, we will obtain a Term Loan Credit Facility, in the amount of $450,107 (€328,500), for a five year term and bearing interest at a floating rate equal to three month EUROBOR plus a margin of 200 basis points. The Term Loan Credit Facility will be secured by first charges on the Initial Properties. The servicing of the debt requires payments of interest only during the first three years with amortization of principal of 2% payable in years four and five. We have assumed that there is no principal repayment or amortization in the forecast period. In conjunction with obtaining the Term Loan Credit Facility, we will enter into an interest rate swap that will fix 80% of the variable interest payable and we will also purchase an interest rate cap instrument to cover 10% of the interest payable such that the interest rate does not exceed 5%. The remaining 10% of interest payable will be calculated on a variable rate basis. In addition, Sub-Fund I has agreed to pay €7,000 towards the purchase of an in-the-money swap to reflect the difference between the anticipated costs of the loan under the Term Loan Credit Facility and the negotiated cost. As of the forecast date, the effect of these arrangements will result in an interest rate of 4.10% (inclusive of agency fees of 10 basis points and a credit spread of 9 basis points on the hedging instrument). Costs of $9,679 relating to the Term Loan Credit Facility have been charged directly against the debt and are amortized over the term of the debt resulting in an effective interest rate of 4.60%.

(iii) Sources and uses of cash:

Our sources and (uses) of cash after the completion of the Offering and the Acquisition are as follows:

Initial public offering of Units	$ 270,000
Public offering of Debentures	140,000
Units issued to DRC	20,000
Units issued to Dundee Corporation	100,000
Cash from proceeds of Term Loan Credit Facility, net of costs	440,428
Payment to vendor for purchase of the Initial Properties	(928,964)
Acquisition costs	(6,389)
Offering costs and expenses	(23,750)
Cash added to the working capital of the REIT	$ 11,326

(b) Capital and leasing expenditures:

Non-recoverable capital expenditures for ongoing repairs, maintenance and the replacement of capital items in respect of the investment properties are forecast to be approximately $2,400. Leasing expenditures (comprised of tenant improvements and leasing costs) are forecast to be approximately $4,100. These costs are on a normalized basis and may vary with actual results depending on leasing activity and capital requirements. Capital and leasing expenditures are to be paid by us and will be financed through non-distributed cash generated from operations, working capital and/or new mortgage financing. In addition, an amount equal to approximately 4.5% of the total annual rent under the DP Leases is recoverable from Deutsche Post for certain common area repair and maintenance costs.

(c) Rental revenue:

Forecast revenue from income-producing properties is based on rents from existing leases as well as potential income from leasing space that is vacant and re-leasing of space that becomes vacant during the forecast period at renewal rates based on market trends. The overall weighted average occupancy for the income-producing properties during the forecast period is assumed to be approximately 88%. Rental revenue includes all rental income receivable from the Initial Properties, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period. Included in investment properties revenue for the twelve-month period ending June 30, 2012 is a reduction of $731 for amortization of tenant incentives ($35, $156, $228 and $312 for the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively).

Leases covering 2.7% of the total rentable space of the Initial Properties expire during the forecast period. Of the leases expiring during the forecast period, 2.0% of the space on a weighted basis is assumed to renew at market rents which are expected to be in excess of in-place rents. The remaining 0.7% is assumed to be re-leased after an average period of 6 months. Additionally, 3.7% of vacant space is assumed to be leased during the forecast period at market rents. The result is an assumed weighted average occupancy of 87% for the year ended June 30, 2012. The financial forecast reflects historical levels of miscellaneous income.

(d) LS Lease Agreement:

In accordance with the Framework Agreement, we will enter into a lease with the LS Tenant in respect of approximately 447,400 square feet of space in certain of the Initial Properties, bringing our forecast weighted average occupancy rate for the year ended June 30, 2012 to approximately 91.5%. The forecast period minimum rental revenue has been adjusted by $6,937 to reflect the receipt of payments under this lease.

(e) Operating costs:

Operating costs of the investment properties have been forecast with reference to the operating plans and budgets for the Initial Properties and are consistent with the releasing assumptions in note 4(c). The financial forecast reflects historical data adjusted for changes in costs due to inflationary and other market trends and anticipated changes in realty tax rates. The major components of operating costs consist of realty taxes, utilities, cleaning, insurance, repairs and maintenance, security and notional amortization of recoverable building improvements.

(f) Interest expense:

Interest expense is based on effective interest rates on the Term Loan Credit Facility, the interest rate swap and cap and the Debentures. Interest expense for the forecast period has been increased by $784 for the twelve-month period ending June 30, 2012 ($190, $194, $198 and $202 for the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively) to reflect the accretion of the premium attributed to the conversion feature on the issuance of the Debentures and $2,491 for the twelve-month period ending June 30, 2012 ($613, $619, $626 and $633 for the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively) related to the amortization of costs associated with the Term Loan Credit Facility and Debentures. It is assumed that there are no prepayments of the Term Loan Credit Facility in the forecast period and that no amounts will be capitalized during the forecast period. Interest expense also includes $6,400 for the twelve-month period ending June 30, 2012 ($1,600 for each of the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012) relating to interest on the Exchangeable Notes, which are classified as a liability.

(g) Portfolio management expenses:

Portfolio management expenses reflect management's best estimate of salaries, incentive compensation and benefits of leasing and portfolio managers in Germany and Luxembourg and valuation and other fees of $4,776 per annum.

(h) General and administrative expenses:

General and administrative expenses reflect management's best estimate of legal fees, trustee fees, regulatory costs, annual report costs, transfer agent fees, insurance costs and unit compensation of $3,772 per annum.

(i) Acquisitions and dispositions of investment properties:

This financial forecast does not reflect any potential sales or acquisitions of investment properties other than the acquisition discussed in note 4(a)(i). However, it is possible that we will make purchases and sales of investment properties during the forecast period, which will only be undertaken on a basis considered by management to be advantageous to us and as approved by the Trustees.

(j) Income taxes:

We assume that on Closing we will qualify as a mutual fund trust and not be a SIFT as described in note 3(i). Accordingly, no net current income tax expense or future income tax assets or liabilities have been recorded in the financial forecast in respect of the REIT. Income tax related to taxable subsidiaries has been recorded based on the corresponding assumptions and legislated rates as discussed in note 3(i).

(k) Foreign currency translation:

The financial forecast assumes that the exchange rate between the Canadian dollar and the Euro will remain at 1.365, which was the forward exchange rate on July 15, 2011. A one basis point change in the exchange rate will have a $4,100 impact on net assets and a $500 impact on net income with an offsetting adjustment to OCI.

(l) Foreign currency hedge:

On Closing, we will implement an active hedging program to minimize the currency risk of cash flows received from our Subsidiaries in Euros. The foreign currency arrangements will economically hedge distributions paid to Unitholders and interest payments to Debenture holders; however, because the arrangement does not meet the criteria for applying hedge accounting, changes in the fair value of the foreign currency derivative is recognized in net income. The forecast assumes that there is no change in the value of the foreign currency derivative. As of July 15, 2011, the average of the forward exchange rates for the twelve months that we can effectively lock in for the forecast period for the purposes of hedging distributions to Unitholders and interest payments to Debentureholders is approximately 1.365 Canadian dollars for one Euro. For illustrative purposes, a change to the average of the forward exchange rates of 10 basis points would result in a change in total costs of $30.

(m) Fair value change on investment properties:

We have adopted the fair value model for accounting for investment properties requiring the fair value of the property to be determined at each reporting date. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair values of the investment properties. For illustrative purposes, assuming all other variables remain constant, a 25 basis point decrease in the overall capitalization rate of the investment properties would result in a fair value increase of approximately $32,000. A 25 basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $30,000.

(n) Fair value change on Deferred Trust Units:

We will issue Deferred Trust Units under the Deferred Unit Incentive Plan. The Deferred Trust Units are exchangeable for Units. The forecast does not reflect the issuance of Deferred Trust Units except for those issued in consideration of the DRC asset management fee. For financial reporting purposes, the fair value of the Units must be determined at each reporting date with any changes in value recognized in net income. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the Deferred Trust Units. Included in general and administrative expenses for the twelve-month period ending June 30, 2012 is compensation expense of $528 in respect of the DRC asset management fee ($132, $132, $132 and $132 for the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively).

(o) Fair value change of Debenture conversion feature:

The conversion feature is accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the conversion feature.

(p) Fair value change of Exchangeable Notes:

The Exchangeable Notes are accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the Exchangeable Notes. For illustrative purposes, a 1% change in the market value of a Unit of the REIT, into which Exchangeable Notes may be exchanged, would result in a fair value change of approximately $800.

(q) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. Commitment and Contingencies:

The REIT has ongoing commitments related to leasing expenditures incurred in the ordinary course of business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

On May 18, 2011, Lorac, acting in its own name but for the account of Sub-Fund I, entered into the Framework Agreement with, among others, DRC and the REIT. The Framework Agreement sets forth the principal terms and conditions of the proposed indirect acquisition by the REIT of a portfolio of commercial real estate assets comprised of the Initial Properties. Subsequent to entering into the Framework Agreement and pursuant to the Reallocation Agreement, the REIT had the option of excluding three properties from the Acquisition if the REIT was not satisfied with the results of further due diligence. Upon completion of such due diligence, the REIT has elected to exclude these three properties. These three properties are included in the portfolio of properties defined as the Jupiter Portfolio in the carve-out financial statements and in this management's discussion and analysis of financial condition and results of operations.

The following discusses the financial condition and results of operations of the historical information relating to the Initial Properties for the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010, 2009 and 2008. This information should be read in conjunction with the unaudited carve-out interim statement of financial position of the Initial Properties as at March 31, 2011 and audited carve-out statements of financial position of the Initial Properties as at December 31, 2010, 2009 and 2008 along with the unaudited carve-out interim statements of comprehensive income and cash flows for the three months ended March 31, 2011 and 2010 and the audited carve-out statements of comprehensive income and cash flows for the years ended December 31, 2010, 2009 and 2008, together with the related notes. See "Index to Financial Statements".

The Initial Properties are not a legal entity and are comprised of the investment properties and include the management business. The carve-out financial statements of the Initial Properties have been prepared for the purpose of this prospectus as a method of presenting historical property information relating thereto. The carve-out financial statements present the assets as if they had been owned by one entity and depict the vendor's historical investment in the net assets of the Initial Properties and include the assets, liabilities, revenues and operating expenses (including property operating costs, amortization, finance costs and general and administrative costs) associated with owning and operating these properties. Due to the inherent limitations of carving out activities from larger entities, these carve-out financial statements may not necessarily reflect the results of operations, financial position and cash flows of the Initial Properties for future periods, nor do they reflect the results of operations, financial position, and cash flows that would have been realized had the Initial Properties been held in a stand-alone entity during the periods presented.

The Initial Properties' functional and reporting currency is the Euro. Monetary amounts are stated in thousands of Euros, unless otherwise stated. Financial data has been prepared in conformity with IFRS as issued by the IASB.

The objective of this discussion is to provide a prospective purchaser of Units and Debentures with an analysis of the historical assets, liabilities, revenues and operating expenses, including finance costs, income taxes and administration costs, of owning and managing the Jupiter Portfolio for the above-mentioned periods. Less emphasis has been placed on analyzing the historical capital structure of the Jupiter Portfolio as our future capital structure and income tax status will be significantly different. Our unaudited *pro forma* consolidated financial statements and the financial forecast contained in this prospectus reflect the impact of financial leverage and income tax status on a going-forward basis.

Significant Events

The following events have had a material effect on the Jupiter Portfolio's financial results in the applicable period and/or may be expected to affect the results of the Jupiter Portfolio in the future.

Acquisitions

In accordance with the Framework Agreement, following are the details of the real estate assets comprising the Jupiter Portfolio as at March 31, 2011:

German State	Number of assets
Baden-Württemberg	42
Bavaria	36
Berlin	2
Brandenburg	8
Bremen	6
Hamburg	7
Hesse	14
Mecklenburg-West Pomerania	2
Niedersachsen	41
North Rhine-Westphalia	72
Rhineland-Palatinate	14
Saarland	8
Saxony	16
Saxony-Anhalt	12
Schleswig-Holstein	11
Thuringia	4
	295

Selected Information

(Unless otherwise stated, all amounts are in € '000s)

	Three months Ended March 31		Year Ended December 31		
	2011	2010	2010	2009	2008
Total revenue	€ 24,054	€25,302	€ 97,900	€ 89,941	€ 40,999
Net rental income	€ 12,647	€12,320	€ 50,257	€ 50,565	€ 24,583
Net income (loss)	€ 89,503	€ 3,159	€105,704	(€567)	€ 42,100
Weighted average occupancy	86.5%	79.9%	84.0%	79.3%	78.8%
Total assets	€752,772		€670,488	€581,619	€589,217
Total liabilities	€372,181		€377,152	€387,817	€411,315

Results of Operations – Three Months Ended March 31, 2011 Compared to March 31, 2010

(Unless otherwise stated, all amounts are in € '000s)

Property Revenue, Operating Expenses, Net Rental Income and Net Income

	March 31, 2011	March 31, 2010	March 31, 2011 vs. 2010	%
Property Revenue:				
Total	€24,054	€25,302	(€1,248)	(4.9%)
Operating Expenses:				
Total	€11,407	€12,982	(€1,575)	(12.1%)
Net Rental Income:				
Total	€12,647	€12,320	€ 328	2.7%

During the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, property revenue decreased by €1.2 million (4.9%) and Net Rental Income increased by approximately €0.3 million (2.7%).

Property revenue decreased by €1.2 million primarily as a result of the €1.9 million decrease in service charge revenue due to decreased Operating Expenses in the period offset by a €0.7 million increase in rental income (5.0%) as a result of an increase in tenant occupancy.

Operating expenses decreased by €1.6 million mainly as a result of the 14% drop in property level service charge expenses. The main drivers causing the decrease are lower costs in 2011 for heating expenses and snow removal that account for 78% of the variance from 2010. The ratio of the service charge revenue in relation to the property level service charge expenses has remained constant at 92% in both periods. Repairs and maintenance increased by €0.6 million (+70.7%) due to increased spending activity for tenant improvements as a result of increased occupancy. Expenditures related to tenant improvements have, to a certain extent, been expensed during the period. Under our ownership, our policy will be to capitalize tenant improvements and amortize them to revenue over the term of lease. Other property operating expenses increased by 55% to €0.5 million in 2011, mainly due to additional site visits that were contracted from the property manager (i.e. extensive site visits).

Net Rental Income increased by €0.3 million (+2.7%) primarily as a result of a reduction in Operating Expenses, partially offset by decreased property revenue. The ratio of Net Rental Income to rental income decreased from 88% to 86%. After adjusting for the increase in repairs and maintenance driven by increased spending for tenant improvements, Net Rental Income increased by €1.0 million (+8.0%) and the ratio to Rental Income rose by 2% to 90%.

During the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, net income increased by €86.3 million. The increase is predominantly due to a valuation gain from investment properties of €81.1 million in 2011 compared to a valuation loss of €0.4 million during the same period of 2010. The increase reflects the improvement in the financial markets and general improvement in the economic outlook for the German economy in the first three months of 2011 and latter part of 2010 compared to conditions that continued to exist during the first quarter of 2010 stemming from the global financial crisis in 2009. Other factors impacting the change in net income are discussed below under "– Results of Operations – Three Months ended March 31, 2011 compared to March 31, 2010".

For the three months ended March 31, 2011, the weighted average occupancy rate was 86.5% compared to 79.9% for the comparable period in 2010, as a result of additional leasing.

Finance Income

	March 31, 2011	March 31, 2010	March 31, 2011 vs. 2010	%
Finance Income	€4	€(1)	€5	500.0%

Administration Expenses

	March 31, 2011	March 31, 2010	March 31, 2011 vs. 2010	%
Administration Expenses	€771	€565	€206	36.5%

Administration expenses largely consist of fund management, asset management custodian fees and other general and administrative costs. Administration expenses for the three months ended March 31, 2011 increased by €0.2 million or 36.5% compared to the same period a year earlier. This increase in administrative expenses is mainly attributable to the increase in the monthly asset management fees from January 1, 2010, which were recorded and accrued as at December 31, 2010.

Finance Costs

	March 31, 2011	March 31, 2010	March 31, 2011 vs. 2010	%
Finance Costs	€3,485	€8,177	€(4,692)	(57.4)%

Finance costs consist substantially of interest paid on bank loans, commitment fees on loans and finance costs on derivative instruments associated with the properties. The decrease in finance costs of €4.7 million or 57.4% for the three months ended March 31, 2011 when compared to the same period in 2010 is primarily the result of the decrease of finance costs on derivative instruments, which is mainly explained as follows:

- €1.3 million of realized gain on call swaptions for the three months ended March 31, 2011;

- €1.9 million increase in unrealized gain on mark-to-market values of the derivative financial instruments for the three months ended March 31, 2011 compared the same period in 2010; and
- €1.5 million reduction on interest swap payments; the decrease in interest expenses on derivative instruments in March 31, 2011 compared to the same period in 2010 is attributable to the higher interest floating rate in the market in 2011.

Interest on the bank loan is recorded based on the effective interest rate; accordingly, interest is recognized over the term of the loan at the rate of 4.050%.

Cash provided from Operating Activities

Cash provided from operating activities for the three months ended March 31, 2011 amounted to €6.2 million as compared to €6.3 million for the same period a year earlier.

Cash used in Financing Activities

During the three months ended March 31, 2011, cash utilized in financing activities was €6.1 million as compared to cash utilized in financing activities for the three months ended March 31, 2010 of €6.3 million. The €0.2 million decrease was due to a decrease in loan repayments of €1.8 million in the three months ended March 31, 2011, partially offset by a net increase in equity distributions of €1.4 million and interest costs of €0.2 million during the same period.

Cash provided from or used in Investing Activities

Total funds provided from investing activities for the three months ended March 31, 2011 amounted to €0.1 million, attributable to the capital expenditures on investment properties. There were no investing activities in the comparative period.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009

(Unless otherwise stated, all amounts are in € ’000s)

Property Revenue, Operating Expenses, Net Rental Income and Net Income

	December 31, 2010	December 31, 2009	December 31, 2010 vs. 2009	%
Property Revenue:				
Total	€97,900	€89,941	€7,959	8.8%
Operating Expenses:				
Total	€47,643	€39,376	€8,266	21.0%
Net Rental Income:				
Total	€50,257	€50,565	€ (307)	(0.6)%

During the year ended December 31, 2010, as compared to the same period in 2009, property revenue increased by €8.0 million or 8.8% and Operating Expenses increased by €8.3 million or 21.0%.

The increase in property revenue is fuelled by rental income increases of €3.0 million (+5.3%) due to new leasing and an increase of service charge income of €5 million (+14.6%) primarily generated through higher Operating Expenses. Operating Expenses increased by 21.0% substantially due to an increase in property level service charge expenses of €8.0 million (+21.2%). One of the main drivers for the latter is a €3.7 million increase (+154.4%) of repairs and maintenance due to increased spending for tenant improvements as a result of increased occupancy. Expenditures related to tenant improvements have, to a certain extent, been expensed during the period. Under our ownership, our policy will be to capitalize tenant improvements and amortize them to revenue over the term of lease. The remaining increase of €4.3 million (+12%) was due to higher heating costs and higher than average expenses for snow removal in the winter months to maintain the daily operations of the main tenant Deutsche Post DHL. The ratio of the service charge revenue in relation to property level service charge expenses decreased slightly from 93% in 2009 to 92% in 2010.

Net Rental Income decreased by €0.3 million or 0.6%. The ratio of Net Rental Income to rental income decreased from 91% to 86%. Adjusting for the increase in repairs and maintenance driven by increased spending for tenant improvements Net Rental Income increased by €3.5 million (+7.1%) and the ratio to rental income rose by 1% to 92%.

During the year ended December 31, 2010, as compared to the year ended December 31, 2009, net income increased by €106.3 million. The increase is predominantly due to a valuation gain from investment properties of €81.5 million in 2010 compared to a valuation loss of €22.3 million during the same period of 2009. The increase reflects the improvement in the financial markets and general improvement in the economic outlook for the German economy in 2010 compared to 2009. Other factors impacting the change in net income are discussed below under "– Results of Operations – Year ended December 31, 2010 compared to December 31, 2009".

For the year ended December 31, 2010, the weighted average occupancy rate increased from 79.3% to 84.0% from the prior year, as a result of additional leasing of vacant space.

Finance Income

	December 31, 2010	December 31, 2009	December 31, 2010 vs. 2009	%
Finance Income	€34	€619	€(585)	(94.4)%

Finance income decreased by €0.6 million or 94.4% for the year ended December 31, 2010 compared to the same period a year earlier due to the interest income received in 2009 from the vendor of the property portfolio on account of early payment of the acquisition price.

Administration Expenses

	December 31, 2010	December 31, 2009	December 31, 2010 vs. 2009	%
Administration Expenses	€3,470	€2,935	€535	18.2%

Administrative expenses for the year ended December 31, 2010 increased by €0.5 million or 18.2% compared to the same period a year earlier. The increase is mainly attributable to the increase of asset management fees as a result of amendments to the asset management agreement effective January 1, 2010.

Finance Costs

	December 31, 2010	December 31, 2009	December 31, 2010 vs. 2009	%
Finance Costs	€22,569	€26,481	€(3,912)	(14.8)%

Finance costs decreased by €3.9 million or 14.8% for the year ended December 31, 2010 when compared to the same period in 2009 primarily as a result of the following:

- €3.6 million of the decrease in finance costs is attributable to derivative instruments, mainly due an unrealized gain of €5.5 million to reflect the fair value of the derivative instruments as of December 31, 2010; this gain is offset by the increase of €1.9 million in interest expenses on these derivative instruments. The increase in interest expenses on derivative instruments in December 31, 2010 compared to the same period in 2009, is due to the lower interest floating rate in the market in 2010; and,
- €0.3 million decrease of interest on bank loans due to a €15 million repayment made during 2010.

Interest on the bank loan is recorded based on the effective interest rate; accordingly, interest is recognized over the term of the loan at the rate of 4.049%.

Cash provided from Operating Activities

Cash provided from operating activities for the year ended December 31, 2010 amounted to €32.6 million as compared to €27.7 million for the same period a year earlier. The increase of €4.9 million is primarily attributable to a €8.2 million increase in the change in working capital, offsetting a €3.0 million decrease in net income adjusted for non-cash items.

Cash used in Financing Activities

During the year ended December 31, 2010, cash used in financing activities was €31.4 million compared to €16.9 million of cash used in financing activities for the year ended December 31, 2009. The €14.5 million increase in cash outflow was due to a net increase of €22.6 million in equity distributions compared to the prior year partially offset by a decrease of €8.1 million in net loan proceeds and repayments and interest costs paid compared to the prior year.

Cash provided from or used in Investing Activities

Total funds used for investment for the year ended December 31, 2010 amounted to €1.1 million compared to €10.7 million for the year ended December 31, 2009.

The €9.6 million decrease in funds used for investing during this period is primarily attributable to payments made to vendor related to adjustments to the initial purchase of the property portfolio which occurred in 2008.

Results of Operations – Year Ended December 31, 2009 Compared to December 31, 2008

(Unless otherwise stated, all amounts are in € '000s)

Property Revenue, Operating Expenses, Net Rental Income and Net Income

	December 31, 2009	December 31, 2008	December 31, 2009 vs. 2008	%
Property Revenue:				
Total	€89,941	€40,999	€48,942	119.4%
Operating Expenses:				
Total	€39,376	€16,416	€22,960	139.9%
Net Rental Income:				
Total	€50,565	€24,583	€25,982	105.7%

During the year ended December 31, 2009 property revenue increased by €48.9 million or 119.4% over 2008, which includes 6 months of Property Revenue since the purchase of the initial property portfolio was effective July 1st, 2008. This explains €41.0 million (84%) of the increase compared to the 6 months of activity recorded in 2008. The remaining increase of €7.9 million is primarily the result of a €1.7 million increase of rental income due to the leasing of vacant space during 2009 and a €5.6 million increase of service charge income. During the year ended December 31, 2009, as compared to the 6 months activity recorded in 2008, Operating Expenses increased by €23.0 million (139.9%). In 2008, only 6 months of operating expenses were incurred since the initial property portfolio commenced operations on July 1st, 2008 accounting for €16.4 million (71%) of the increase compared to the same period a year earlier. The remaining increase of €6.6 million is primarily the result of a €5.2 million increase in property level service charge expenses and a €1.2 million increase in repairs and maintenance expenses in relation to tenant improvements to increase occupancy. Expenditures related to tenant improvements have, to a certain extent, been expensed during the period. Under our ownership, our policy will be to capitalize tenant improvements and amortize them to revenue over the term of lease.

Net rental income increased primarily as a result of the increases in property revenue of €48.9 million, partly offset by the increase in operating expenses of €23.0 million.

During the year ended December 31, 2009, as compared to the year ended December 31, 2008, net income decreased by €42.7 million. The decrease is mainly due to a valuation loss from investment properties of €22.3 million in 2009 compared to a valuation gain of €44.6 million during the same period of 2008. The decrease reflects the deterioration in the financial markets and negative economic outlook for the German economy in 2009 compared to 2008 mainly as a result of the impact of the global financial crisis in 2009. The decrease was partially offset by an increase in net rental income of €26.0 million. See "– Results of Operations – Year ended December 31, 2009 compared to December 31, 2008" for a discussion of the change in net rental income and other factors impacting the change in net income.

For the year ended December 31, 2009, the weighted average occupancy rate increased from 78.8% to 79.3% from the prior year.

Finance Income

	December 31, 2009	December 31, 2008	December 31, 2009 vs. 2008	%
Finance Income	€619	€—	€619	—%

Finance income increased by €0.6 million for the year ended December 31, 2009 as compared to €nil for the 6 months activity recorded in 2008 due to interest income received in 2009 from the vendor of the Jupiter Portfolio on account of early payment of the purchase price.

Administration Expenses

	December 31, 2009	December 31, 2008	December 31, 2009 vs. 2008	%
Administration Expenses	€2,935	€2,410	€525	21.8%

Administration expenses for the year ended December 31, 2009 increased by €0.5 million (21.8%) compared to the 6 months activity recorded in 2008. The increase is mainly attributable to the following:

- €2.4 million due to the fact that 2009 included 12 months activity compared to 6 months of activity in 2008;
- Offset by €1.9 million of registration fees paid in 2008 for the acquisition of initial property portfolio.

Finance Costs

	December 31, 2009	December 31, 2008	December 31, 2009 vs. 2008	%
Finance Costs	€26,481	€24,680	€1,801	7.3%

Finance costs increased by €1.8 million (7.3%) for the year ended December 31, 2009 when compared to the 6 months activity recorded in 2008 primarily the result of the following:

- €14.7 million increase in interest on bank loans in 2009 as compared to 2008. During 2008, only 12 days of interest was incurred while 2009 included a full year of interest;
- €8.7 million decrease in finance costs on derivative instruments mainly due to the decrease in interest expenses on derivative instruments for the year ended December 31, 2009 as a result of a higher floating interest rate in the market in 2009; and,
- €4.2 million decrease in commitment fees in 2009 compared to 2008. In 2008, commitment fees were paid from June 28, 2008, the date that the credit facility was available, until the bank loan was funded in December 2008.

Interest on the bank loan is recorded based on the effective interest rate; accordingly, interest is recognized over the term of the loan at the rate of 4.050%.

Cash provided from Operating Activities

Cash provided from operating activities for the year ended December 31, 2009 amounted to €27.7 million compared to €25.0 million for the same period a year earlier. The increase of €2.7 million is primarily attributable to a €18.2 million increase in net income adjusted for non-cash items offsetting a €15.5 million decrease in working capital.

Cash used in or provided from Financing Activities

During the year ended December 31, 2009, cash used in financing activities was €16.9 million as compared to €518.7 million of cash provided from financing activities for the year ended December 31, 2008. For the year ended December 31, 2009, loan principal repayments and interest payments amounted to €22.3 million and €13.1 million, respectively. Sub-Fund I also received €2.1 million of new borrowings and an additional €16.5 million equity contribution from the fund. During the year ended December 31, 2008, the fund received €393.6 million of new loan proceeds and €135.8 million of net equity contributions to the fund to facilitate the purchase of the Jupiter Portfolio. Also, €6.9 million and €3.7 million borrowing arrangement fees and interest swap premiums and equity distributions, respectively, were made in 2008.

Cash used in Investing Activities

Total funds used for investment for the year ended December 31, 2009 amounted to €10.7 million compared to €543.7 million for the year ended December 31, 2008. The €10.7 million used in the current year related to expenditures attributable to payments made to the vendor related to the initial purchase price of the property portfolio. In the prior year, €522.9 million of the invested amount was for the acquisition of the initial property portfolio, with an additional €20.7 million attributable to real estate transfer tax and other costs on the acquisition of the initial portfolio.

Summary of Quarterly Results

In accordance with item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has not been presented as the Jupiter Portfolio did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

We expect to be able to meet all of our obligations as they become due. We expect to have sufficient liquidity as a result of the following sources: (i) cash flow from operating activities; (ii) financing availability through its Term Loan Credit Facility (subject to customary conditions including lender consent) of which €383 million is anticipated to be drawn at Closing and (iii) the ability to issue new equity.

Contractual Obligations

The Jupiter Portfolio's material contractual obligations as at March 31, 2011 were as follows (in € '000s):

			Year of Payment				
	Total	Remainder of 2011	2012	2013	2014	2015	Thereafter
Bank loan	€358,336	€358,336	€—	€ —	€—	€—	€—
Derivative financial instruments	€ 8,901	—	—	€8,901	—	—	—
Total contractual obligations	€367,237	€358,336	€—	€8,901	€—	€—	€—

Notes:

Capital Expenditures

We intend to distribute approximately 90% of our AFFO to our Unitholders, subject to approval by the Board of Trustees. The cash flow retained by us is intended to fund principal loan repayments and value enhancing capital expenditures. Additional capital may also be available through participation in the DRIP.

Off-Balance Sheet Arrangements

None.

Financial Instruments and Other Instruments

To manage its interest rate risk, management of the Jupiter Portfolio entered into interest rate swaps, caps and call swaptions, in which they agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The analysis below describes reasonably possible movements in interest rates for the Jupiter Portfolio with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

	Increase/(decrease) in basis points	Effect on equity EUR	Effect on profit before tax EUR
2010			
Euribor	+15	1,185,359	588,616
Euribor	-15	(1,185,359)	(588,616)
2009			
Euribor	+15	596,743	575,798
Euribor	-15	(596,743)	(575,798)
2008			
Euribor	+15	20,945	20,945
Euribor	-15	(20,945)	(20,945)

Financial instruments and other instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gain or losses arising from changes in the fair values of derivatives are recognized in the statement of comprehensive income in the period in which they arise. Management of the Jupiter Portfolio does not designate any derivatives as hedges in a hedge relationship.

The mark-to-market values of the derivative financial instruments as at March 31, 2011, as compared to December 31, 2010 are as follows:

Financial Institution	Financial Instrument	Strike Rate	Trade Date	Maturity Date	MTM as at March 31, 2011 Unaudited EUR	MTM as at December 31, 2010 Audited EUR
Natixis	Interest rate Swap	3.74750%	27-Jan-10	10-Feb-13	(2,203,472)	3,209,150
Deka Bank	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	(2,192,714)	3,183,760
Eurohypo AG	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	(2,215,735)	3,227,937
Bayern LB	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	(954,336)	1,391,702
Société Générale	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	(1,504,116)	2,227,039
Deka Bank	Interest rate Cap	4.70%	3-Jul-08	10-Aug-11	—	—
Société Générale	Interest rate Cap	4.70%	4-Jun-08	10-Aug-11	—	—
Eurohypo AG	Interest rate Cap	4.70%	4-Jul-08	10-Aug-11	—	—
Deka Bank	Interest rate Cap	5.20%	3-Jul-08	28-Jun-13	(32,052)	(49,207)
Société Générale	Interest rate Cap	5.20%	17-Jun-08	12-Aug-13	(84,872)	(117,451)
Eurohypo AG	Interest rate Cap	5.20%	4-Jul-08	28-Jun-13	(52,048)	(61,594)
Natixis	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	—	(732,131)
Deka Bank	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	—	(720,663)
Eurohypo AG	Call Swaption	2.10000%	27-Jan-10	11-Feb-13	—	(730,811)
Bayern LB	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	—	(130,611)
Société Générale	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	—	(537,404)
Total					**8,900,801**	**10,159,716**

The mark-to-market values of the derivative financial instruments as at December 31, 2010, as compared to December 31, 2009 and to December 31, 2008 are as follows:

Financial Institution	Financial Instrument	Strike Rate	Trade Date	Maturity Date	MTM as at December 31, 2010 EUR	MTM as at December 31, 2009 EUR	MTM as at December 31, 2008 EUR
Natixis	Interest rate Swap	4.70%	2-Jul-08	18-Aug-11	—	4,049,329	4,063,189
Deka Bank	Interest rate Swap	4.70%	3-Jul-08	18-Aug-11	—	4,020,944	4,034,992
Eurohypo AG	Interest rate Swap	4.70%	4-Jul-08	18-Aug-11	—	4,075,585	4,230,249
Bayern LB	Interest rate Swap	4.70%	29-Jul-08	18-Aug-11	—	1,763,820	1,825,205
Société Générale	Interest rate Swap	4.70%	18-Dec-08	18-Aug-11	—	2,763,538	2,856,254
Natixis	Interest rate Swap	3.75%	27-Jan-10	10-Feb-13	3,209,150	—	—
Deka Bank	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	3,183,760	—	—
Eurohypo AG	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	3,227,937	—	—
Bayern LB	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	1,391,702	—	—
Société Générale	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	2,227,039	—	—
Deka Bank	Interest rate Cap	4.70%	3-Jul-08	10-Aug-11	—	(18,362)	(65,589)
Société Générale	Interest rate Cap	4.70%	4-Jun-08	10-Aug-11	—	(37,256)	(117,046)
Eurohypo AG	Interest rate Cap	4.70%	4-Jul-08	10-Aug-11	—	(23,104)	(61,665)
Deka Bank	Interest rate Cap	5.20%	3-Jul-08	28-Jun-13	(49,207)	(153,647)	(135,698)
Société Générale	Interest rate Cap	5.20%	17-Jun-08	12-Aug-13	(117,451)	(395,939)	(335,089)
Eurohypo AG	Interest rate Cap	5.20%	4-Jul-08	28-Jun-13	(61,594)	(213,527)	(230,815)
Natixis	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(732,131)	—	—
Deka Bank	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(720,663)	—	—
Eurohypo AG	Call Swaption	2.10%	27-Jan-10	11-Feb-13	(730,811)	—	—
Bayern LB	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(130,611)	—	—
Société Générale	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(537,403)	—	—
Total					**10,159,717**	**15,831,383**	**16,063,989**

Transactions with Related Parties

During the fiscal years 2008, 2009 and 2010 through March 2011 the following related party transactions occurred.

Management of the Jupiter Portfolio, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions comprise services received from related parties. These transactions have been carried out on the basis of agreed terms. The significant transactions with related parties during the period were as follows:

Related Party	Service received	Amount owed to related party	Amount owed by related party
	EUR	EUR	EUR
March 31, 2011			
Lorac Investment Management S.à r.l. (see (i))	101,036	—	43,044
Hudson Advisors Luxembourg S.à r.l. (see (ii))	518,505	298,144	—
March 31, 2010			
Lorac Investment Management S.à r.l. (see(i))	103,338	54,097	—
Hudson Advisors Luxembourg S.à r.l. (see (ii))	347,689	717,613	—
2010			
Lorac Investment Management S.à r.l. (see (i))	426,193	54,097	—
Hudson Advisors Luxembourg S.à r.l. (see (ii))	2,189,435	717,613	—
2009			
Lorac Investment Management S.à r.l. (see(i))	385,373	—	9,259
Hudson Advisors Luxembourg S.à r.l. (see (ii))	1,425,441	270,808	—
2008			
Lorac Investment Management S.à r.l. (see(i))	193,333	109,070	—
Hudson Advisors Luxembourg S.à r.l. (see (ii))	649,846	249,108	—

(i) Fund management fee

In consideration of the management services rendered by Lorac in relation to Sub-Fund I, Lorac is entitled to receive a management fee based on actual costs of Lorac plus a 10% margin. Fund management fee is included in the "Administration expenses" in the statement of comprehensive income and related payables and receivables are recorded in "Trade and other creditors" and in "Trade and other receivables" in the statement of financial position. As described in note 3 of the audited carve-out financial statements for the years ended December 31, 2010, 2009 and 2008, this fee is allocated to the Jupiter Portfolio based on number of assets. Subsequent to the Closing, the above mentioned management company, Lorac, will continue providing services to the Jupiter Portfolio for the costs incurred by it plus a 5% margin.

(ii) Asset management fee

Lorac, acting in its own name but on behalf of Sub-Fund I, has entered into an asset management agreement with Hudson Advisors Lux. The asset managers are entitled to receive a monthly asset management fee, based on the rate applied to the purchase price of real estate assets, as defined in the asset management agreement. The asset management fee is included in the "Administration expenses" in the statement of comprehensive income and related payables are recorded in "Trade and other creditors" in the financial position. As described in note 3 of the audited carve-out financial statements for the years ended December 31, 2010, 2009 and 2008, this fee is allocated to Jupiter Portfolio based on number of assets.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 4 of the audited carve-out financial statements for the years ended December 31, 2010, 2009 and 2008. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. Set out below are those which may have a material impact on the carve-out financial statements in future periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. Lorac, acting in its own name but for the account of the Dundee FCPs, will quantify the effect on the Jupiter Portfolio, in conjunction with the other phases, when issued, to present a comprehensive picture.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates and assumptions in the preparation of the carve-out financial statements are described in note 3 of the audited carve-out financial statements for the years ended December 31, 2010, 2009 and 2008.

Financial Instruments and Financial Risk Management

The fair values of the Jupiter Portfolio's bank loan approximates the carrying values as at March 31, 2011. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

Risks and Uncertainties

There is business risk associated with the ownership of the Jupiter Portfolio. See "Risk Factors", "Certain Canadian Federal Income Tax Considerations" and "Certain Non-Canadian Income Tax Considerations".

OUR STRUCTURE AND FORMATION

The REIT

Dundee International Real Estate Investment Trust was established as an unincorporated open-ended real estate investment trust on April 21, 2011 under the laws of the Province of Ontario. From and after Closing, the REIT will be a "mutual fund trust" as defined in the Tax Act, but not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head and registered office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1. A copy of the Declaration of Trust can be obtained from us during the period of distribution of the Units and the Debentures and will be available following Closing on SEDAR at www.sedar.com.

According to the SIFT Rules, certain income earned by a SIFT is taxed as if it were a corporation and certain distributions received by unitholders of a SIFT are treated as taxable dividends. We will be exempt from the SIFT Rules, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations". If the SIFT Rules were to apply to us, they may have an adverse impact on us, including on the distributions received by Unitholders and the value of the Units. See "Risk Factors".

Dundee LP

Dundee LP is our principal Subsidiary and the vehicle through which we intend to make future investments. It is an exempt limited partnership formed under the laws of the Cayman Islands. Dundee LP is authorized to issue an unlimited number of LP Units. The general partner of Dundee LP, a corporation governed by the laws of the Cayman Islands, is a wholly-owned Subsidiary of the REIT. Subject to the provisions of the Dundee LP Agreement, the general partner of Dundee LP has all necessary powers to manage, control and operate the activities and affairs of Dundee LP and to do or cause to be done any and all acts necessary, appropriate, convenient or incidental thereto. Dundee LP may be dissolved or terminated only with the unanimous written consent of the general partner and the REIT. Upon closing of the Offering, we will invest the net proceeds of the Offering in Dundee LP which will in turn invest or loan such amounts in or to the Dundee FCPs indirectly through its Subsidiaries.

The Dundee FCPs

Our indirect interest in the Initial Properties will be held through the Dundee FCPs. FCPs (*fonds commun de placement*) are undertakings for collective investment organized as mutual investment funds under the provisions of the 2010 Act. FCPs do not have a legal personality. FCPs in Luxembourg are not subject to any taxes other than a tax of 0.05% per annum of their net asset value (*taxe d'abonnement*). There is generally no withholding tax on distributions made by FCPs to their unitholders.

Under the contractual arrangement, FCPs are represented and managed by a management company, acting in its own name but for the account of the relevant FCP, that is required to always act in the exclusive interests of the FCP's unitholders pursuant to the FCP's prospectus and its management regulations.

FCPs are required to maintain a minimum net asset value of at least €1.25 million and are subject to the approval and ongoing supervision of the CSSF. FCPs are also required to designate a custodian bank, which must be a bank located in Luxembourg, or a Luxembourg branch of a bank with its registered office in another EEA member state, to safe keep the assets or securities of the FCPs. In addition, the management company may appoint a Luxembourg-based central administration agent to calculate the net asset value of the FCP, to maintain FCP's accounts, effect subscriptions, redemptions, deposits and withdrawals and manage other FCP transactions.

The Dundee FCPs will be established with an initial term of 10 years, subject to renewal. Lorac will act as management company of the Dundee FCPs. Each of the Dundee FCP Unitholders will hold all of the FCP Units of one of the Dundee FCPs. At Closing, Sub-Fund I will allocate all of its ownership interests in the Initial Properties to the Dundee FCPs in accordance with the terms and conditions of the Reallocation Agreement.

In accordance with the restrictions contained in each Dundee FCP's private placement memorandum, the Dundee FCPs will not acquire any real estate properties other than the Initial Properties unless such acquisition is of a real estate property that is related to an exisiting Initial Property. Furthermore, the Dundee FCPs cannot engage in any business or trade activity, such as construction and development of a real estate property, unless such construction or development is a repositioning of the Initial Properties.

Formation Transactions

Legal title to the Initial Properties is currently registered in the name of Lorac in the German land registers. Lorac holds such legal title acting as management company in its own name but for the account of Sub-Fund I. Prior to or concurrently with Closing, we will engage in the formation transactions described below, pursuant to which, among other things, we will acquire all of the rights, claims and other interests and all risks and obligations of Sub-Fund I in the Initial Properties. Following Closing, legal title to the Initial Properties will continue to be held by Lorac, acting as management company in its own name but for the account of the Dundee FCPs.

Pursuant to the Acquisition Agreements (and other related agreements) that we have entered into or will enter into, the following steps will occur in connection with the Closing:

1. The REIT will sell 27,000,000 Units (31,050,000 Units if the Underwriters exercise the Over-Allotment Option in respect of the Units in full) at a price per Unit equal to $10 and $140,000,000 aggregate principal amount of Debentures ($161,000,000 aggregate principal amount of Debentures if the Underwriters exercise the Over-Allotment Option in respect of the Debentures in full) pursuant to the Offering. See "Plan of Distribution".
2. Concurrently with, and as a condition to, the completion of the Offering, we will sell 10,000,000 Units to Dundee Corporation and 2,000,000 Units to DRC, in each case at a price per Unit equal to the Offering Price and without payment by us of any underwriting commission.
3. We will invest the net proceeds of the Offering and the sale of Units to Dundee Corporation and DRC in the Dundee FCPs by way of a series of equity investments in and loans to our Subsidiaries and the Dundee FCPs.
4. Pursuant to the Term Loan Credit Facility, the Dundee FCPs will borrow €328.5 million. See "Financing of the Initial Properties".
5. Pursuant to the Reallocation Agreement, the aggregate of all rights, claims and other interests, as well as all risks and obligations of Sub-Fund I with regard to the Initial Properties held by Lorac, acting as management company for the account of Sub-Fund I, will be reallocated from Sub-Fund I to the Dundee FCPs in consideration of the payment by the Dundee FCPs to Sub-Fund I of approximately €735.7 million. A portion of such amount, being the Euro equivalent of $80 million (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros) (the "Deferred Amount"), will be deferred and paid within three business days after the date on which LSF advances the loan to Dundee Lux Holdco as discussed below. See "– Acquisition Agreements – Reallocation Agreement" below.
6. Within three business days after the date of Closing, Dundee Lux Holdco will borrow an amount equal to the Deferred Amount from LSF, which will be evidenced by the Exchangeable Notes, and invest such amount as equity investments and loans in the Dundee FCP Unitholders and the Dundee FCPs. See "LSF Interest – Investment by LSF".
7. Within three business days after the Exchangeable Notes are issued by Dundee Lux Holdco to LSF, the Dundee FCPs will pay the Deferred Amount to Sub-Fund I.
8. Pursuant to the Lorac Share Purchase Agreement, Dundee Lux Holdco will acquire from Caroline Holdings 50% of the issued and outstanding shares of Lorac for €125 per share (for a total of €62,500), subject to certain adjustments. See "– Acquisition Agreements – Lorac Share Purchase Agreement" below.
9. Pursuant to the Fixtures Purchase Agreement, Dundee Fixtures will acquire from Caroline Holdings all of the Fixtures on an "as is" basis. The aggregate purchase price for the Fixtures is €702,500.
10. The Dundee FCPs and the LS Tenant will enter into the LS Lease Agreement. See "– LS Lease Agreement".
11. Dundee Lux Manager and Dundee Germany Sub-Manager will offer employment to up to a total of 14 current employees of Hudson Advisors Lux and Hudson Advisors Germany. See "Real Estate Management and Advisory Services – Portfolio Management".

12. The REIT and certain Subsidiaries of the REIT will enter into the Asset Management Agreement with DRC. See “Relationship with Dundee Realty Corporation – Asset Management Agreement”.
13. The Dundee FCPs will enter into the Portfolio Management Agreement with Dundee Lux Manager. See “Real Estate Management and Advisory Services – Portfolio Management”.
14. Dundee Lux Manager will enter into the Sub-Portfolio Management Agreement with Dundee Germany Sub-Manager. See “Real Estate Management and Advisory Services – Portfolio Management”.
15. The REIT, on behalf of itself and its Subsidiaries, will enter into the Administrative Services Agreement with DRMC. See “Real Estate Management and Advisory Services – Administrative Services”.
16. Dundee Lux Manager and Dundee Germany Sub-Manager will enter into the Hudson Administrative Services Agreements and Sub-Lease Agreements. See “Real Estate Management and Advisory Services – Administrative Services – Hudson Administrative Services Agreements and Sub-Lease Agreements”.
17. The Dundee FCPs will enter into the Property Management Agreement with DP Real Estate. See “Real Estate Management and Advisory Services – Property Management”.

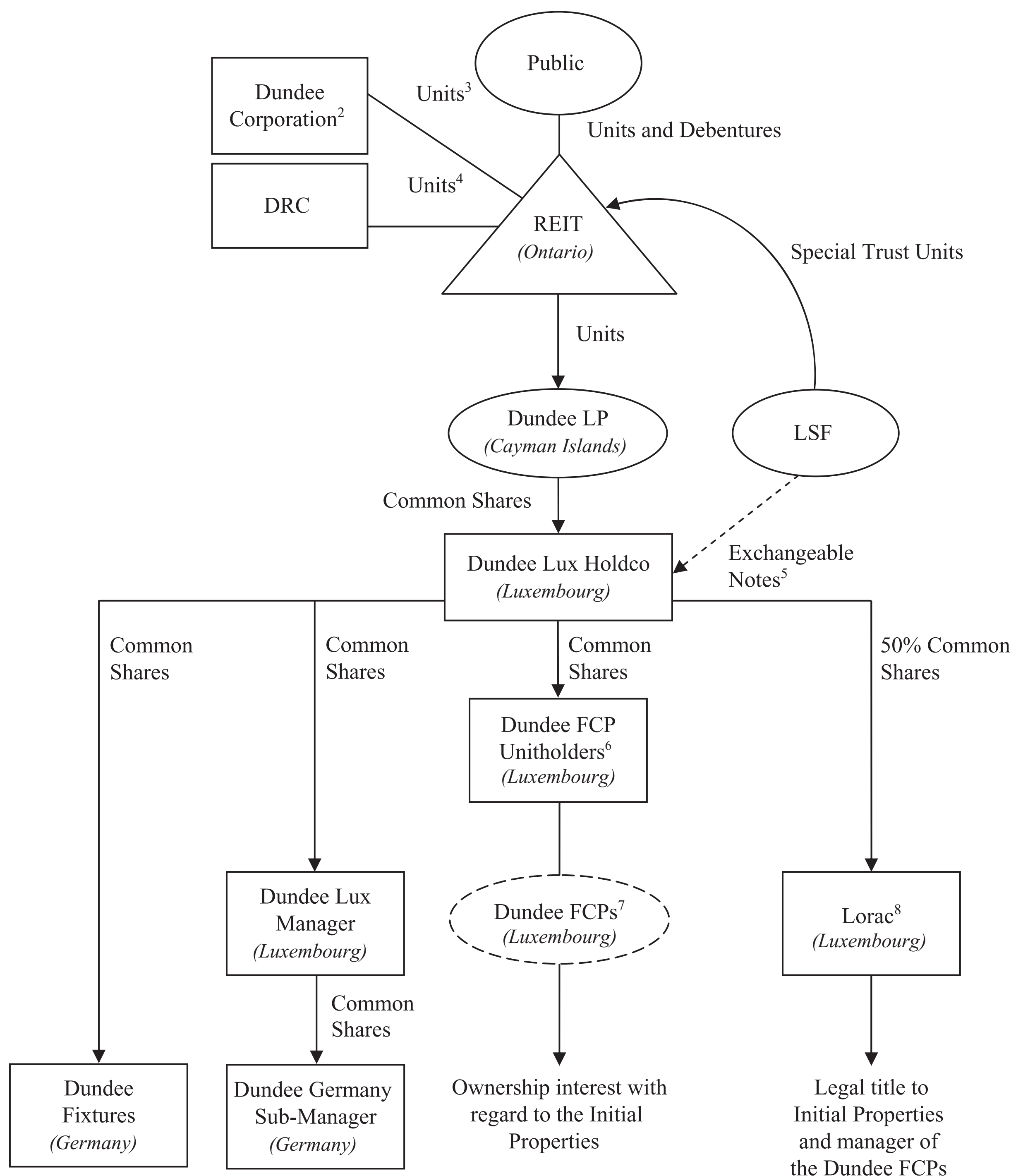
Consequences of the Offering and the Acquisition

The completion of the Offering and the Acquisition will have the following consequences:

- Purchasers of Units will own 56.5% of our outstanding Units on a fully-exchanged basis, Dundee Corporation will own 20.9% of our outstanding Units on a fully-exchanged basis and DRC will own 5.9% of our outstanding Units on a fully-exchanged basis (59.9%, 19.3% and 5.4%, respectively, if the Over-Allotment Option is exercised in full).
- LSF will hold the Euro equivalent of $80 million (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros) principal amount of Exchangeable Notes, exchangeable for 8,000,000 Units, representing 16.7% of the outstanding Units on a fully-exchanged basis (15.4% if the Over-Allotment Option is exercised in full), and a corresponding 8,000,000 Special Trust Units. See “LSF Interest”.
- Legal title to the Initial Properties will continue to be registered in the name of Lorac. Lorac will hold such legal title acting as management company in its own name but for the account of the Dundee FCPs. See “– Formation Transactions” above.
- We will indirectly own the Initial Properties through the Dundee FCPs. See “– Formation Transactions” above.
- We will own 50% of the shares of Lorac, and, to the extent legally permissible, representatives on the board of Lorac appointed by us (the “Class B Managers”) will have exclusive control over the management of the Dundee FCPs.
- DRC will be our asset manager. See “Relationship with Dundee Realty Corporation – Asset Management Agreement”.
- Dundee Lux Manager and Dundee Germany Sub-Manager will provide portfolio management services with respect to the Initial Properties. See “Real Estate Management and Advisory Services – Portfolio Management”.
- DRMC, Hudson Advisors Lux and Hudson Advisors Germany will provide various administrative services for us. See “Real Estate Management and Advisory Services – Administrative Services”.
- DP Real Estate will continue to be the property manager of the Initial Properties. See “Real Estate Management and Advisory Services – Property Management”.

Simplified Organizational Structure

Upon completion of the Offering and the Acquisition, our simplified organizational structure will be as follows[1].



(1) Except as noted, ownership interests below the REIT are 100%.
(2) Dundee Corporation holds common shares of DRC, representing approximately 70% of the voting rights of DRC.
(3) Dundee Corporation will hold 10,000,000 Units representing 20.9% of the outstanding Units (not including the Units held by DRC) on a fully-exchanged basis.
(4) DRC will hold 2,800,000 Units representing 5.9% of the outstanding Units on a fully-exchanged basis.
(5) Exchangeable into 8,000,000 Units representing 16.7% of the outstanding Units on a fully-exchanged basis, in accordance with the terms of the Exchange Agreement. See "Key Investors – Investment by LSF".
(6) There are 15 separate Dundee FCP Unitholders.
(7) There are 15 separate Dundee FCPs.
(8) The remaining 50% of the common shares of Lorac are held by Caroline Holdings. Lorac also holds legal title to the Caroline Portfolio and is manager of Sub-Fund I.

Acquisition Agreements

The following is a summary of certain provisions of the Acquisition Agreements and is qualified in its entirety by reference to all of the provisions of such agreements. Copies of the Acquisition Agreements will be available electronically on our SEDAR profile at www.sedar.com and will be made available to our unitholders as described under "Material Contracts". Investors are encouraged to review the terms of the Acquisition Agreements in their entirety for a complete description of Sub-Fund I's representations, warranties and indemnities, and related limitations contained therein.

Framework Agreement

The Framework Agreement, which was entered into on May 18, 2011, as amended from time to time, is the master agreement between the Dundee Parties and the LS Parties providing for various steps to be taken in order to complete the Acquisition. The material steps of the Acquisition are set out above under "Our Structure and Formation – Formation Transactions".

The Framework Agreement provides that completion of the Acquisition is subject to the satisfaction of certain conditions, including:

- completion of the Offering for net proceeds of at least $345 million;
- execution of the Term Loan Credit Facility and satisfaction or waiver of all conditions precedent to funding therein;
- approval by the CSSF of the amended articles of Lorac and of Dundee Lux Holdco as a shareholder of Lorac;
- receipt of the Merger Clearance; and
- execution and delivery of indemnification and non-solicitation agreements providing for indemnification and non-solicitation undertakings of Hudson Advisors Lux and Hudson Advisors Germany in respect of the employees accepting offers of employment with Dundee Lux Manager or Dundee Germany Sub-Manager and for non-solicitation undertakings of Dundee Lux Manager and Dundee Germany Sub-Manager with respect to the remaining employees of Lorac, Hudson Advisors Lux and Hudson Advisors Germany.

The Framework Agreement provides each party to the Framework Agreement with the right to rescind (i.e., terminate) the Framework Agreement if the transactions contemplated by the Reallocation Agreement are not completed in accordance with its terms or the Closing has not occurred by August 3, 2011, unless otherwise agreed.

The Framework Agreement provides that (a) subject to certain exceptions, as long as LSF continues to own Units or Exchangeable Notes, DRC and its affiliates will not sell any Units during our first year of existence and will not sell more than 10% in the aggregate of their Units in the second year of our existence; and (b) LSF will only be entitled to exercise its exchange rights after the expiry of the hold period required by the Underwriters (being 180 days).

The Framework Agreement also provides that, for so long as we indirectly own any of the Initial Properties, the LS Parties will not actively solicit, encourage or incentivise any of our current or former tenants to leave the applicable Initial Property and to lease premises on any of the remaining Caroline Portfolio instead.

Reallocation Agreement

The Reallocation Agreement provides for the reallocation of the aggregate of all rights, claims and other interests, as well as all risks and obligations of Sub-Fund I with regard to the Initial Properties from Sub-Fund I to the Dundee FCPs. The Reallocation Agreement contains representations and warranties to the Dundee FCPs from Sub-Fund I, including representations and warranties concerning: corporate/compliance; title to and ownership of the Initial Properties; encumbrances and easements; governmental orders; parking spaces; encroachments; objections of tenants; public law proceedings; disclosure; contractual usability; litigation; lease agreements; rent received/rent securities; material defects; and access to the Initial Properties. The Reallocation Agreement does not contain representations and warranties in respect of the size or the potential market rent achievable of the Initial Properties or the enforceability of the leases or compliance of the leases with written form requirements.

The aggregate maximum liability of Sub-Fund I due to breaches of the representations and warranties contained in the Reallocation Agreement is €75 million (the "Liability Cap"). The Dundee FCPs will have no right to make a claim against Sub-Fund I until the aggregate of all claims exceed €5 million. The Liability Cap will not apply to claims by any Dundee FCP due to breaches of representations and warranties related to corporate/compliance and title and ownership. The Liability Cap will also not apply to claims of any Dundee FCP due to breaches of representations and warranties related to easements and encumbrances, in which case Sub-Fund I shall be entitled to rescind the Reallocation Agreement in respect of the Initial Property concerned if the expected amount of liability exceeds the consideration allocated to such Initial Property plus pro rata acquisition costs, which shall also be reimbursed in case of such rescission. Claims relating to a breach of the representations and warranties set forth above will become time-barred 18 months after the Closing. Claims relating to a breach of the representations and warranties related to corporate/compliance, encumbrances, easements and title and ownership will become time-barred four years following Closing.

Pursuant to the Reallocation Agreement, the Dundee FCPs will indemnify Sub-Fund I from and against all claims under public or civil law becoming due after Closing and resulting from any actions taken by any public authority or third party with respect to environmental damages, in particular from any claims for investigation, monitoring, securing, clean-up or disposal of environmental damages and the costs associated therewith. Should Sub-Fund I be requested after the Closing to perform any acts aimed at the investigation, monitoring, securing, clean-up or disposal of environmental damages under public or civil law, the respective Dundee FCP shall perform these acts in lieu of Sub-Fund I at its own expense. Sub-Fund I has agreed to indemnify the Dundee FCPs from and against all public or civil law claims, resulting from any actions taken by any governmental, municipal or other regulatory authority or third party, each with respect to environmental damages if Sub-Fund I had knowledge of the environmental damage on the Closing and we did not. Sub-Fund I also agreed to indemnify the Dundee FCPs from any claims resulting from environmental damage for two other Initial Properties up to a maximum of €3 million.

Although the parties to the Reallocation Agreement believe that the transfer of the Initial Properties will be outside the scope of German VAT, if German VAT does apply, the Reallocation Consideration is agreed to be the gross amount including German VAT.

Sub-Fund I will also indemnify the Dundee FCPs from all liabilities claimed against the Dundee FCPs, the Initial Properties and/or Lorac for (a) unpaid taxes (including VAT but other than the RETT generally; however, if RETT is chargeable due to certain actions of Sub-Fund I, Sub-Fund I will indemnify the Dundee FCPs from such liabilities and if RETT is unexpectedly chargeable as a result of the reallocation, Sub-Fund I will indemnify the Dundee FCPs from one-half of such liabilities) that are (i) attributable to time periods up to and including Closing and relating to the Initial Properties, or (ii) to the extent such taxes (including RETT) relate to assets of Sub-Fund I other than the Initial Properties, attributable to time periods prior to and subsequent to Closing, and (b) any costs, interest, penalties or other damages reasonably occurred in enforcing this indemnity ("Indemnified Claims"). See "Risk Factors – German taxes may affect our cash flows, financial condition and distributions to Unitholders". Indemnified Claims will be unsecured so long as Sub-Fund I maintains a minimum net asset value equal to, initially, €135 million, which amount will be reduced annually as Indemnified Claims become time barred or have been otherwise resolved. If the net asset value of Sub-Fund I falls below the required minimum amount, Sub-Fund I will not make any distributions to its unitholders until Sub-Fund I has provided security for the Indemnified Claims in accordance with the Reallocation Agreement. In addition to securing the Indemnified Claims, the security will cover non-payment by Sub-Fund I of certain other claims and obligations as agreed in the Reallocation Agreement.

Lorac Shareholders' Agreement

The Lorac Shareholders' Agreement will establish the principles of future joint shareholdings in Lorac and ensure that the ongoing management and operations of the Dundee FCPs and Sub-Fund I are carried out and controlled separately, to the extent legally permissible, by the Lorac Shareholders.

Immediately following our acquisition of 50% of the issued and outstanding shares of Lorac, Dundee Lux Holdco and Caroline Holdings, as shareholders of Lorac, will amend the articles of incorporation of Lorac to provide for, among other things: (a) the right of Caroline Holdings to nominate the Class A Managers; (b) the right of Dundee Lux Holdco to nominate the Class B Managers; (c) certain reserved matters which require the consent of the Class A Managers or the Class B Managers, as applicable; and (d) certain reserved matters which require the majority consent of the Class A Managers and Class B Managers, including the vote of at least one Class A Manager.

The newly appointed board of managers of Lorac will establish the Lorac Governance Rules, which will allocate certain responsibilities to specific board members. Pursuant to the Lorac Governance Rules, the management by Lorac of Sub-Fund I will be delegated to the Class A Managers and the management by Lorac of the Dundee FCPs will be delegated to the Class B Managers. Material changes affecting Lorac, as set out in the Lorac Shareholders' Agreement, will require the unanimous approval of the Lorac Shareholders.

Pursuant to the Lorac Shareholders' Agreement, Dundee Lux Holdco will be granted an option to acquire, and/or to transfer to a third party nominated by Dundee Lux Holdco, an additional 44.9% of the issued and outstanding shares of Lorac upon the earlier of: (a) the divestiture by Sub-Fund I of all or substantially all of Caroline Portfolio resulting in Sub-Fund I having a net asset value of less than €10 million; (b) the liquidation of Sub-Fund I; or (c) the termination by either party of the Lorac Shareholders' Agreement. The purchase price payable for each of the additional Lorac Shares shall be €125.

The Lorac Shareholders' Agreement will remain in force so long as the Lorac Shareholders are shareholders of Lorac and will automatically terminate when either Lorac Shareholder is no longer a shareholder of Lorac. The Lorac Shareholders' Agreement may not be terminated by either Lorac Shareholder prior to the expiration of 10 years from the date of signing of the Lorac Shareholders' Agreement and thereafter it may be terminated on six months' prior written notice to the other unless terminated for cause, as set out in the Lorac Shareholders' Agreement.

Based on information provided by Sub-Fund I in respect of its intention to dispose of the remaining Caroline Portfolio as soon as economically reasonable, we expect to own the full 94.9% interest in Lorac within the next few years, though no assurance can be given in that regard.

Lorac Share Purchase Agreement

The Lorac Share Purchase Agreement provides for the acquisition by Dundee Lux Holdco of 50% of the issued and outstanding shares of Lorac for €125 per share (for a total of €62,500). It contains representations and warranties relating to Caroline Holdings, Lorac and Dundee Lux Holdco, including representations and warranties as to organization and status, power and authorization, authorized and issued capital, regulatory authority, compliance with applicable laws, employees and absence of litigation.

Each of Caroline Holdings and Dundee Lux Holdco will, subject to liability thresholds, indemnify the other for losses, expenses, costs and damages incurred or suffered by the other as a result of wilful misconduct, gross negligence or breach of representation or warranty by it on the terms and subject to the conditions of the Lorac Share Purchase Agreement.

LS Lease Agreement

Pursuant to the LS Lease Agreement, the LS Tenant will pay monthly rental instalments to the Dundee FCPs, each acting as landlord, as consideration for the LS Tenant's use of the leased premises under the LS Lease Agreement. The term of the LS Lease Agreement will commence at Closing for a period of three years. Under the LS Lease Agreement, the LS Tenant will pay an aggregate amount of €6,672,879 to the Dundee FCPs. An amount of €5,082,111 will be payable by the tenant during the first year of the LS Lease Agreement, €1,510,473 will be payable in the second year and €80,295 will be payable in the third year. Any ancillary costs that are attributable to the use of the leased premises shall be included in the rent. The GLA of the leased premises under the LS Lease Agreement is equivalent to approximately 447,400 square feet of GLA.

The LS Tenant is only entitled to use the leased premises for commercial purposes. Neither the Dundee FCPs nor the LS Tenant is obligated to perform any maintenance or repair of the leased premises; however, the LS Tenant will be required to repair any damages caused by its actual use including wear and tear prior to the return of the leased premises to the Dundee FCPs at the end of the lease term. Pursuant to the LS Lease Agreement, the Dundee FCPs have the right to terminate up to 50% of the space leased under the LS Lease Agreement with a proportionate reduction in the rent payable by the LS Tenant under the LS Lease Agreement. The LS Tenant does not have any ordinary termination rights during the lease term. The LS Tenant is not entitled to assign its rights and obligations under the LS Lease Agreement or to sublet the leased premises. The Dundee FCPs and the LS Tenant are only liable to the other in the event of an intentional breach of their material contractual obligations under the LS Lease Agreement.

REAL ESTATE MANAGEMENT AND ADVISORY SERVICES

Overview

We will enter into several arrangements to ensure that our operations are properly managed in all geographic jurisdictions.

- Overall responsibility for asset management, including the day-to-day oversight of the REIT and execution of our corporate strategy, will be contracted to DRC.
- Portfolio management for the Initial Properties will be provided internally by Dundee Lux Manager by a team of employees who have years of experience with asset management of the Initial Properties through previous employment with Hudson Advisors Lux and Hudson Advisors Germany.
- Property management of the Initial Properties will be performed by DP Real Estate, a company owned by Deutsche Post. DP Real Estate is an experienced operator and has a long history managing the Initial Properties.
- Administrative services such as corporate reporting, treasury and compliance will be performed by a combination of experienced service providers in Canada, Luxembourg and Germany. They include DRMC (a subsidiary of Dundee REIT), DRC, Lorac, Hudson Advisors Lux and Hudson Advisors Germany. Services will be provided for a fee at least sufficient to reimburse the service providers for their expenses.

As we grow, it is our intention to establish our own asset management platform to manage newly acquired assets and internalize certain administrative services should it be cost effective to do so.

Asset Management

DRC will be responsible for the overall asset management of our properties and advising the Trustees on strategic matters, including acquisitions, dispositions, strategic planning, business plan preparation, deal structuring and financing. See "Relationship with Dundee Realty Corporation – Asset Management Agreement".

Portfolio Management

Hudson Advisors Lux and Hudson Advisors Germany currently provide certain portfolio management services in respect of the Initial Properties. Upon Closing, up to a total of 14 current employees of Hudson Advisors Lux and Hudson Advisors Germany will be employed by Dundee Lux Manager and Dundee Germany Sub-Manager, respectively, to provide continuity with Deutsche Post as well as certain portfolio management services, including negotiating, settling and administering the terms of all tenancies and renewals; carrying out advertising and promotional activities; providing information to us and certain other third parties in connection with a proposed sale, financing or refinancing of any Initial Properties; managing tenant relations; and oversight of construction, repair and maintenance initiatives. All of the portfolio management services will be supervised by Dundee Lux Manager in Luxembourg and carried out through certain satellite offices in Germany.

Property Management

Pursuant to the Property Management Agreement, Deutsche Post Real Estate Germany GmbH ("DP Real Estate") will provide customary property and facility management services in respect of each of the Initial Properties, including monitoring rental payments to the Landlord on behalf of itself and the other tenants; supervising and directing the making of renovations, repairs and maintenance; supervising technical services; maintaining heating, ventilation and air conditioning equipment and ensuring proper climate control; maintaining interior and exterior common areas of the Initial Properties; arranging and supervising security with respect to the Initial Properties; paying charges and expenses relating to the operation of the real properties; monitoring the payment of German VAT and other taxes; and other general services necessary for the management, operation and maintenance of the Initial Properties. Facility management services will only be provided for leased premises which are not leased to, or otherwise exclusively used by, tenants and the buildings and facilities which the Landlord is obligated to maintain and repair, even if they are exclusively used by a tenant. DP Real Estate has been providing these same services in relation to the Initial Properties for Sub-Fund I since 2008, and before that to Deutsche Post. DP Real Estate may propose that a third party service provider supply such facility management services.

Pursuant to the Property Management Agreement, DP Real Estate will be entitled to an annual fee of 2.2% of GRI. The Property Management Agreement will provide that it cannot be terminated prior to December 31, 2015. On or after December 31, 2015, the Property Management Agreement may be terminated at the end of a calendar year upon one year's written notice. If an Initial Property is sold or reallocated, the Property Management Agreement may be partially terminated with respect to the sold or reallocated property which may trigger compensation payments to DP Real Estate if certain thresholds are exceeded.

Administrative Services

Administrative Services Agreement

The Administrative Services Agreement will set out the terms and conditions pursuant to which DRMC will provide us with certain management and general administrative services, including keeping and maintaining books and records; preparing returns, filings and documents and making determinations necessary for the discharge of our obligations and those of the Trustees. Under the Administrative Services Agreement, DRMC will also provide us with certain administrative and support services, including 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 services as may be reasonably required from time to time.

Under the Administrative Services Agreement, we will pay DRMC a services fee sufficient to reimburse it for the expenses incurred by it in providing services under the Administrative Services Agreement as long as the expenses are identified in the current annual budget for the properties or are otherwise approved by us in writing prior to being incurred by DRMC.

The term of the Administrative Services Agreement will commence on Closing for one year and will be automatically renewed for further one year terms. Notwithstanding the foregoing, the Administrative Services Agreement may be terminated by us at any time during the term upon 30 days' prior notice.

The Administrative Services Agreement will contain an acknowledgement that DRMC and its Affiliates and associates may engage in other businesses that may be similar to or competitive with our affairs. In the event of a conflict, DRMC will provide us with notice of the conflict and will 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 DRMC under the Administrative Services Agreement the fees payable to such third parties.

Administrative Services under the Asset Management Agreement

The Asset Management Agreement provides that DRC will provide certain administrative services to us, including the preparation of budgets, financial forecasts, valuations and leasing analysis; and amounts outstanding with respect to all receipts, disbursements and investments; the keeping and maintaining all books, records preparation of regulatory filings, including our annual information forms, management information circulars, insider trading reports, financial statements, management's discussion and analysis, business acquisition reports and press releases; the preparation of financing documents such as prospectuses; investor relations services, including the preparation of annual and quarterly reports, investor presentations and marketing materials, as well as holding quarterly conference calls with analysts and investors; the holding of annual and/or special meetings and the preparation of and arrangement for the distribution of all materials (including notices of meetings and information circulars); the preparation of reports and other disclosure documents for the Trustees and unitholders; ensuring compliance by us with all applicable laws and stock exchange rules including continuous disclosure obligations; the preparation of returns, designations, allocations, elections and determinations to be made in connection with our income and capital gains for tax and accounting purposes; monitoring our income and investments to ensure that the REIT does not become liable to pay a tax; the preparation of operational reporting such as cash flow by property and by asset types; and the preparation of executive summaries by asset type outlining asset issues along with various other matters and development reporting costs.

We will pay DRC a services fee sufficient to reimburse it for the expenses reasonably incurred by it in providing administrative services under the Asset Management Agreement.

Hudson Administrative Services Agreements and Sub-Lease Agreements

Pursuant to the Hudson Administrative Services Agreements, Hudson Advisors Lux and Hudson Advisors Germany will provide certain administrative services to Dundee Lux Manager and Dundee Germany Sub-Manager, respectively, including administering payroll and cash management services and systems as may be reasonably

required by Dundee Lux Manager or Dundee Germany Sub-Manager with good business reason and agreed to by Hudson Advisors Lux and Hudson Advisors Germany. Under such services and support, Dundee Lux Manager and Dundee Germany Sub-Manager will pay Hudson Advisors Lux and Hudson Advisors Germany, respectively, a services fee for the performance of the requested services and support by their respective employees based on an hourly billing rate and will reimburse them for all expenses incurred in connection with the Hudson Administrative Services Agreements as long as the reasonable expenses are identified in the current annual budget for the Initial Properties or are otherwise approved by Dundee Lux Manager or Dundee Germany Sub-Manager, as applicable, or otherwise included in the Hudson Administrative Services Agreements.

Pursuant to the Sub-Lease Agreements, Lone Star Capital Investments S.à r.l. and Hudson Advisors Germany will license or sub-lease premises and related infrastructure (including providing telecommunications and other information technology systems and equipment) to Dundee Lux Manager and Dundee Germany Sub-Manager, respectively. Under the Sub-Lease Agreements, Dundee Lux Manager and Dundee Germany Sub-Manager will pay Lone Star Capital Investments S.à r.l. and Hudson Advisors Germany, respectively, a rent for the license or sub-lease of the premises and necessary infrastructure and will reimburse them for all operating expenses incurred in connection with the Sub-Lease Agreements.

The term of the Hudson Administrative Services Agreements and Sub-Lease Agreements will commence on Closing until December 31, 2011 (the "Fixed Term"). Upon expiry of the Fixed Term, the Hudson Administrative Services Agreement and Sub-Lease Agreements will be automatically extended for one additional three month period and otherwise on the same terms and conditions, subject to termination by either party upon 30 days' prior notice.

Services Performed by the Custodian

Prior to Closing, as required by applicable Luxembourg laws governing FCPs, Lorac, acting as management company in its own name but for the account of the Dundee FCPs, will enter into a depository agreement (the "Custodian Agreement") with a bank incorporated under the laws of Luxembourg (the "Custodian"). Subject to the approval of the CSSF, we intend to retain the same bank which acts as the current custodian of Sub-Fund I's assets to act as Custodian of the assets of the Dundee FCPs. Under applicable Luxembourg law, the legal duty of the Custodian is to supervise the assets (including the Initial Properties) of each Dundee FCP. The assets of the Dundee FCPs will be held in a separate client account and will be separately designated and segregated in the books of the Custodian as belonging to the applicable Dundee FCP. In the event of the Custodian's bankruptcy or insolvency, assets that are segregated will be unavailable to the creditors of the Custodian. Annual fees in line with customary custodian bank practices in Luxembourg and out-of-pocket expenses and disbursements will be paid by each Dundee FCP for the services provided by the Custodian under the Custodian Agreement.

Services Performed by Lorac

Lorac is responsible for the management of the Dundee FCPs. In conducting its management obligations, Lorac will provide certain administrative services such as keeping and maintaining books and records; preparing financial statements for each of the Dundee FCPs (including the annual audit and fair market valuation); providing treasury services, including the monitoring of bank accounts with the Custodian and cash flow analysis; liaising with regulatory authorities, auditors, appraisers and lawyers for the account of the Dundee FCPs; coordinating tax filings as required; and preparing unitholder reporting and communication. We will pay Lorac a services fee sufficient to reimburse it for the expenses incurred by it plus 5%.

Non-Competition Agreement

The Non-Competition Agreement will prohibit DRC and its Affiliates (excluding Affiliates which are public companies as described below) from directly or indirectly acquiring an ownership interest, on its own behalf, in any real property which meets the investment criteria of the REIT, unless such investment opportunity has first been offered to us in accordance with the terms of the Non-Competition Agreement. See "Investment Guidelines and Operating Policies".

The above investment restriction will apply to real properties located outside Canada and will not apply to investments in vacant land, residential housing, multi-residential housing units, resorts, residential condominium units,

nursing homes or retirement homes. This investment restriction will not apply to: (a) passive real estate investments made by DRC or any of its Affiliates which are each less than $10 million and represent less than a 25% interest in the real property; (b) investments in properties that do not meet the investment criteria of the REIT; (c) investments in any property that will be used as office space by DRC or any Affiliates; (d) investments made on behalf of fiduciary, managed or client accounts; (e) investments that result from the realization of a loan secured by the property; and (f) investments made by any Affiliate of DRC that is a public company or any Subsidiaries or Affiliates of such public companies (other than DRC and its direct Subsidiaries).

The Non-Competition Agreement will provide that DRC and its Affiliates will no longer be bound by the terms of the Non-Competition Agreement when DRC is no longer our asset manager or, in the case of any Affiliate, when such entity has ceased to be an affiliate of DRC.

TRUSTEES AND EXECUTIVE OFFICERS

Trustees and Executive Officers

Effective upon Closing, the Board of Trustees will consist of seven Trustees. The Trustees will be elected by unitholders at each annual meeting of unitholders, all Trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election as Trustees will be determined by the Governance and Environmental Committee in accordance with the provisions of the Declaration of Trust and the charter of the Governance and Environmental Committee and will be included in the proxy-related materials to be sent to unitholders prior to each annual meeting.

The following table sets forth information regarding our Trustees and executive officers whose appointment will be effective upon Closing.

Name, Province or State and Country of Residence	Position/Title	Independent	Committees
P. Jane Gavan, Utah, United States	Trustee, President and Chief Executive Officer	No	Member of the Executive Committee
Duncan Jackman, Ontario, Canada	Trustee	Yes	Member of the Audit Committee, Governance and Environmental Committee (Chair) and Compensation Committee
Detlef Bierbaum, Köln, Germany	Trustee, Chair	Yes	Member of the Audit Committee (Chair) and Executive Committee
Brydon Cruise, Ontario, Canada	Trustee	Yes	Member of the Audit Committee, Governance and Environmental Committee and Compensation Committee (Chair)
Ned Goodman, Ontario, Canada	Trustee	No	Member of the Executive Committee
Michael J. Cooper, Ontario, Canada	Trustee, Vice-Chair	No	Member of the Executive Committee (Chair)
Olivier Brahin, London, United Kingdom	Trustee	Yes	Member of the Governance and Environmental Committee and Compensation Committee
Douglas Quesnel, Ontario, Canada	Chief Financial Officer and Secretary	—	—

Each of Michael J. Cooper, P. Jane Gavan and Douglas Quesnel is a Trustee and executive officer of the REIT for purposes of applicable securities law as at the date of this prospectus. As none of the other above-mentioned individuals will be appointed as Trustees or executive officers of the REIT prior to the filing of this prospectus, such other individuals will not have any liability for the contents of this prospectus in such capacities under Canadian provincial securities legislation. Mr. Quesnel will resign as a Trustee immediately prior to Closing.

As a group, our Trustees and executive officers will beneficially own, or control or direct, directly or indirectly, 516,000 Units, representing approximately 1.1% of the issued and outstanding Units immediately following Closing (on a fully-exchanged basis).

Biographical Information Regarding the Trustees and Executive Officers

P. Jane Gavan

Jane Gavan has over 20 years of experience in the real estate industry, in all aspects of the business including capital markets, financing, transactions, development and leasing. She is an Executive Vice President of DRC and Principal of Dundee Real Estate Asset Management, in which she is responsible for executing corporate strategy and is directly responsible for all major corporate, financing and real estate transactions. Prior to becoming our Chief Executive Officer, she managed the team overseeing the renewable energy platform. Mrs. Gavan previously served as senior legal counsel to Oxford Properties Group, Inc., one of Canada's largest real estate owners and managers. Prior to joining Oxford Properties Group, Inc., Mrs. Gavan was in private legal practice with one of Canada's largest law firms, Blake, Cassels & Graydon LLP, specializing in real estate and corporate finance. She holds a business degree from Carleton University and a law degree from Osgoode Hall, York University.

Duncan Jackman

Duncan Jackman is Chairman, President and Chief Executive Officer of E-L Financial Corporation Limited, an investment and insurance holding company with assets of approximately $14 billion. He has been a director of E-L Financial since 1997. He is Chairman of the Boards of E-L Financial's operating subsidiaries, The Empire Life Insurance Company and The Dominion of Canada General Insurance Company. Mr. Jackman is Chairman of Algoma Central Corporation; and Chairman and President of Economic Investment Trust Limited and United Corporations Limited, two closed-end investment companies. In addition, Mr. Jackman sits on the boards of First National Financial Corporation and Labrador Iron Ore Royalty Corporation. Mr. Jackman is also a member of the Economic Advisory Council. He holds an Honours Bachelor of Arts degree from McGill University.

Detlef Bierbaum

Detlef Bierbaum is the Chairman of the supervisory board of IVG Immobilien AG, one of the major real estate companies in Europe. Mr. Bierbaum is also a member of the supervisory board of Sal. Oppenheim KAG, a fund management company in Köln, Germany. Prior to March 2010, Mr. Bierbaum was a member of the supervisory board of Bankhaus Sal. Oppenheim jr. & Cie and from 1991 to 2008, he held the position of Managing Partner with responsibility for asset management. Prior to 1991, he was the Chief Financial Officer of the Nordstern Insurance Company based in Cologne. He is a member of the board of directors of a number of companies in the asset management and banking sectors based in Germany, England, Ireland, Luxembourg, the United States and Hong Kong. Mr. Bierbaum is a graduate of the Universities of Cologne and Munich where he studied commercial banking and business administration.

Brydon Cruise

Brydon Cruise is President and Managing Partner of Brookfield Financial, a global real estate and infrastructure investment bank. Mr. Cruise has more than 23 years of experience in real estate investment banking. He is responsible for originating and executing real estate mergers and acquisitions, debt and equity capital markets transactions for Brookfield Financial. Mr. Cruise previously worked as a Managing Director at RBC Capital Markets and on the principal side for two prominent United States based real estate finance investment companies, Fortress Investment Group LLC, as a Managing Partner, and Lone Star Opportunity Fund. Prior to that, Mr. Cruise worked in the real estate investment banking group at Citigroup, Inc. He is currently a director of MCAN Mortgage Corp. and is a member of the Investment Committee, Conduct Review, Corporate Governance and Human Resources Committee. Mr. Cruise also serves as Vice Chairman on the board of the YMCA of Greater Toronto. Mr. Cruise holds a business degree from Wilfrid Laurier University.

Ned Goodman

Ned Goodman is President and Chief Executive Officer of Dundee Corporation and Ned Goodman Investment Counsel Inc. and the Chairman of Dundee Capital Markets Ltd. His investment experience spans more than four decades as a securities analyst, portfolio manager and senior executive, and he has an established reputation as one of Canada's most successful investment counsellors. Mr. Goodman is the founder and benefactor of the Goodman Institute of Investment Management, a graduate school for investment management at Concordia University in Montréal, and serves there as an adjunct professor and as a member of the Associates of the Chancellor. Mr. Goodman

holds 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.

Michael J. Cooper

Michael J. Cooper has worked in the real estate development and property management industry since 1987. He is President and Chief Executive Officer of DRC and Vice Chairman and Chief Executive Officer of Dundee REIT, in which capacities he is focused on strategy, acquisitions, capital markets and investor relations. He is also the Managing Partner of Dundee Real Estate Asset Management, a fully diversified real estate investment and asset management company with approximately $5 billion of assets under management. Mr. Cooper previously was a Vice-President of Goodman & Company, Investment Counsel Ltd. responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. Mr. Cooper currently sits on a variety of public and private boards of directors, including Cancer Care Ontario, Dundee Corporation, Dundee REIT, Dundee Capital Markets Inc., and United Corporations Limited. He holds a law degree from the University of Western Ontario and a Masters in Business Administration from York University.

Olivier Brahin

Olivier Brahin has 19 years of experience in commercial real estate investment, financing, and asset management. Mr. Brahin is a partner in the general partner of Lone Star and Senior Managing Director of Lone Star Management Europe Ltd., where he is responsible for overseeing all commercial real estate investments and directing the commercial real estate origination, with a strong focus on European markets mainly in the United Kingdom, Germany and France. Prior to joining Lone Star, from November 2000 through December 2007, Mr. Brahin served as President of Hudson Advisors Germany, directing the underwriting, financing and asset management of all Lone Star investments in Europe. Under Mr. Brahin's leadership Hudson Advisors Europe Ltd. has grown to employ more than 300 professionals who manage over 10,000 assets across Europe with a value of more than $16.8 billion totalling over 25 transactions. Prior to joining Hudson Advisors Europe Ltd., Mr. Brahin worked for KBC Bank NV, UIC Sofal, J.E. Robert Companies and Imaffine SA. He began his career in 1989 as a developer. Mr. Brahin graduated from the University of Paris-Dauphine and holds a Master in Finance and a Master in Economics. Mr. Brahin's ongoing duties of Lone Star and its Affiliates may result in material conflicts with his duties as a trustee of the REIT. See "Risk Factors".

Douglas Quesnel

Douglas Quesnel has over 18 years of experience in all aspects of corporate administration, financial reporting, taxation and financial management. He is Chief Financial Officer of DRC and is also responsible for the financial management of Dundee REIT's commercial property portfolio and capital markets activities. Between 1999 and 2003, he was Director of Finance of CanWest Publications Inc., then the largest newspaper publisher in Canada. Prior to 1999, Mr. Quesnel worked for Robin Hood Multifoods Inc. and began his career in 1991 at Ernst & Young. Mr. Quesnel earned his Chartered Accountant designation in 1995 and holds a Bachelor of Commerce degree from Concordia University and a Graduate Diploma in Public Accountancy from McGill University.

Penalties or Sanctions

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has, within the 10 years prior to the

date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Consulting Agreement

Alexander Hesse will provide transitional services with respect to the Initial Properties similar to those performed by a "chief operating officer" pursuant to the Consulting Agreement to provide continuity with Deutsche Post, property management and operations. The Consulting Agreement will be for a term of one year at no cost and provide for one-year renewals at a reasonable fee to be agreed upon by the parties to the Consulting Agreement. Mr. Hesse will not be compensated by us for such services.

Mr. Hesse has over 15 years of experience in real estate investments and asset management in Europe. He has invested in direct assets and in commercial real estate debt. He is a Managing Director of Lone Star Germany GmbH and is Head of German Real Estate Investments and he will continue to hold such positions during the term of the Consulting Agreement. Prior to joining Lone Star, between 2002 and 2007, he was Head of Real Estate of Hudson Advisors Germany, responsible for real estate asset management and underwriting of all Lone Star investments in Germany. Prior to joining Hudson Advisors Germany, Mr. Hesse was a Managing Director at Bau-Verein zu Hamburg Group, a listed German real estate company. Mr. Hesse graduated from WHU Otto Beisheim School of Management and successfully participated in MBA programs at Penn State University and Instituto Tecnológico Autónomo de México (ITAM).

Governance and Board of Trustees

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over our properties and assets and affairs, as if the Trustees were the sole owners of such properties and assets. Our governance practices, investment guidelines and operating policies will be overseen by a Board of Trustees consisting of a minimum of five and a maximum of 12 Trustees, a majority of whom must be Canadian residents. We must also have at all times a majority of Trustees who are independent ("Independent Trustees") within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"); provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee's independent judgment. Upon Closing, four of the seven Trustees will be Independent Trustees.

The Trustees may, between meetings of the unitholders, appoint one or more additional Trustees if, after such appointment, the total number of Trustees does not exceed one and one-third times the number of Trustees in office

immediately following the last annual meeting of the unitholders. The Declaration of Trust provides that any Trustee may resign upon written notice to us. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of the unitholders called for that purpose or by the written consent of the unitholders holding in the aggregate not less than a majority of the outstanding REIT Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution. A vacancy occurring among the Trustees 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.

The mandate of the Board of Trustees will be one of stewardship and oversight of us and our investments. In fulfilling its mandate, the Board of Trustees will adopt a written charter, substantially in the form set out under Appendix B hereto, setting out its responsibility. Among other things, the Board of Trustees will be responsible for (a) participating in the development of and approving a strategic plan for us; (b) supervising our activities and managing our investments and affairs; (c) approving major decisions regarding us; (d) defining the roles and responsibilities of management and determining compensation upon the recommendation of the Compensation Committee; (e) reviewing and approving the business and investment objectives to be met by management; (f) assessing the performance of and overseeing management; (g) reviewing our debt strategy; (h) identifying and managing risk exposure; (i) ensuring the integrity and adequacy of our internal controls and management information systems; (j) succession planning; (k) establishing committees of the Board of Trustees, where required or prudent, and defining their mandate; (l) maintaining records and providing reports to unitholders; (m) ensuring effective and adequate communication with unitholders, other stakeholders and the public; (n) determining the amount and timing of distributions to unitholders; (o) acting for, voting on our behalf and representing us as a holder of securities of our Subsidiaries; and (p) voting in favour of our nominees to serve as Class B Managers of Lorac.

The Board of Trustees will adopt a written position description for the Chairman of the Board of Trustees which will set out the Chairman's key responsibilities, including duties relating to setting meeting agendas of the Board of Trustees, chairing meetings of Unitholders, Trustee development and communicating with Unitholders and regulators. The Board of Trustees will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of each committee. These descriptions will be considered by the Board of Trustees for approval annually.

We will adopt a written code of conduct (the "Code of Conduct") that will apply to all of our Trustees, officers and employees. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, reputation, honesty, objectivity and impartiality. The Code of Conduct will address conflicts of interest, protecting our assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential or the appearance of conflicts of interest. Certain of the REIT's trustees and executive officers may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors". The Board of Trustees will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will be available on SEDAR at www.sedar.com following Closing.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in our best interests and the holders of REIT Units and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee will be entitled to indemnification from us from and against liability and costs in respect of any action or suit against them in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to our best interests and the holders of REIT Units and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Committees of the Board of Trustees

Pursuant to the Declaration of Trust, the Board of Trustees will establish four committees: the Audit Committee, the Governance and Environmental Committee, the Compensation Committee and the Executive Committee. The Declaration of Trust requires that the Audit Committee, the Governance and Environmental Committee and the Compensation Committee be composed of at least three Trustees, all of whom must be Independent Trustees. The Declaration of Trust requires that a majority of the Trustees on each of these committees be residents of Canada. Each member of a committee shall serve on such committee until such member resigns from such committee or otherwise ceases to be a Trustee.

Audit Committee

National Instrument 52-110 – *Audit Committees* (“NI 52-110”) and the Declaration of Trust require the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be Independent Trustees. The Board of Trustees will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix C hereto, which will provide that the Audit Committee will assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including (a) reviewing our procedures for internal control with our auditors and Chief Financial Officer; (b) reviewing and approving the engagement of the auditors; (c) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management’s discussion and analysis; (d) assessing our financial and accounting personnel; (e) assessing our accounting policies; (f) reviewing our risk management procedures; and (g) reviewing any significant transactions outside our ordinary course of business and any pending litigation involving us.

The Audit Committee will have direct communication channels with our Chief Financial Officer and our external auditors to discuss and review such issues as the Audit Committee may deem appropriate.

The Audit Committee will initially be comprised of Messrs. Bierbaum, Cruise and Jackman, with Mr. Bierbaum as Chair. Each of these individuals is an Independent Trustee and “financially literate” within the meaning of NI 52-110. Each initial member of the Audit Committee possesses considerable education and experience relevant to the performance of his responsibilities as an Audit Committee member. See “Trustees and Executive Officers – Trustees and Executive Officers – Biographical Information Regarding the Trustees and Executive Officers”.

Auditors’ Fees

The aggregate fees billed by PricewaterhouseCoopers LLP, our external auditor, or fees accrued by us in 2011 for professional services in connection with our formation and organization, which will be paid by us, are presented below:

	Five months ended May 31, 2011
Audit fees[(1)]	$ 5,000
Audit-related fees[(1)(2)]	95,000
Tax fees[(1)]	1,400,000
All other fees[(3)]	—
Total	**$1,500,000**

(1) Based on amounts included in our financial forecast.

(2) Audit-related fees are aggregate fees billed by our external auditor or accrued by us in 2011 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit fees” in the table above.

(3) All other fees are aggregate fees billed or accrued by us in 2011 for products and services provided by our external auditor, other than the services reported under “Audit fees”, “Audit-Related fees” and “Tax fees” in the table above.

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, all of whom must be Independent Trustees. The Governance and Environmental

Committee will be charged with reviewing, overseeing and evaluating our governance and environmental policies. The Board of Trustees will adopt a written charter for the Governance and Environmental Committee setting out its responsibilities for: (a) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (b) overseeing the recruitment and selection of candidates as Trustees; (c) organizing an orientation and education program for new Trustees; (d) considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees; (e) reviewing and making recommendations to the Board of Trustees concerning any change in the number of Trustees comprising the Board of Trustees; (f) reviewing the environmental state of any real property owned by us; and (g) establishing formal policies and procedures to review and monitor our environmental exposure. The Governance and Environmental Committee will establish formal policies and procedures to review and monitor the environmental state of any real property owned by us which will take into account CSA Staff Notice 51-533 – *Environmental Reporting Guidance*. Monitoring and review of the environmental state of our real properties, including the environmental state of the Initial Properties described under the heading "Assessment of Initial Properties" may include: (a) review of environmental liability risk assessments, (b) review of environmental incident reports, (c) inspection and monitoring of any ongoing environmental control measures, (d) review of compliance with local jurisdictional regulations and orders, and (e) preparation of a hazardous materials management plan.

The Governance and Environmental Committee will initially be comprised of Messrs. Brahin, Cruise and Jackman, with Mr. Jackman as Chair. Each of these individuals is an Independent Trustee.

Compensation Committee

The Declaration of Trust requires the Board of Trustees to have a Compensation Committee consisting of at least three Trustees, all of whom must be Independent Trustees.

The Compensation Committee will be charged with reviewing, overseeing and evaluating our compensation policies. In addition, the Board of Trustees will adopt a written charter for the Compensation Committee setting out its responsibilities for: (a) considering questions of management succession; (b) administering the Deferred Unit Incentive Plan and any unit option or purchase plan and any other compensation incentive programs; (c) assessing the performance of management of the REIT; (d) reviewing and approving the compensation paid by us, if any, to our officers, advisers and consultants; and (e) reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable to our Trustees and officers.

The Compensation Committee will initially be comprised of Messrs. Brahin, Cruise and Jackman, with Mr. Cruise as Chair. Each of these individuals is an Independent Trustee.

Executive Committee

The Declaration of Trust requires the Board of Trustees to have an Executive Committee consisting of at least four Trustees. The Executive Committee will meet on an "as needed" basis and have the authority to exercise all of the powers and discretions in the management and direction of our activities delegated to it by the Board of Trustees in accordance with our Declaration of Trust, Board and committee mandates and applicable law, including to: (a) approve or reject proposed investments by us in accordance with our investment guidelines in Western Europe (or any other country/geographic region in which we then have a significant presence), in each case of up to $50 million (by way of debt or equity); (b) approve the assumption or granting of any mortgage of up to $50 million (or such other amount provided the terms thereof have been reflected in our operating budget approved by the Board of Trustees for the applicable year); (c) approve the entering into of currency and interest rate derivative contracts for hedging purposes in accordance with the hedging strategy approved by the Board of Trustees; and (d) develop our strategy, risk management and staffing requirements for review and approval by the Board of Trustees. Although our Executive Committee has been delegated authority in respect of many aspects of our business, in accordance with the mandate of the Board of Trustees (attached as Appendix B to this prospectus), all material investments and transactions outside our ordinary course of business must be reviewed by, and are subject to the prior approval of, our Board of Trustees.

The Executive Committee will initially be comprised of Messrs. Cooper, Bierbaum and Goodman and Mrs. Gavan, with Mr. Cooper as Chair.

Independent Trustee Matters

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

(a) making any material change to the Asset Management Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);

(b) 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;

(c) approving or enforcing any agreement entered into by us with a Related Party;

(d) permitting any of our Subsidiaries or any Dundee FCP 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; and

(e) making or prosecuting any claim by or against any Related Party.

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 serve to protect unitholders without creating undue limitations on us. Given that our Trustees and officers will be engaged in a wide range of real estate and other business activities, the Declaration of Trust requires each of our Trustees and officers to disclose to us if he or she is a party to a material contract or transaction or proposed material contract or transaction with us 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 us. Such disclosure is required to be made by a Trustee (a) at the first meeting of the Trustees or the applicable committee thereof, as the case may be, at which a proposed contract or transaction is first considered, (b) if the Trustee was not then interested in a proposed contract or transaction, at the first such meeting after a Trustee becomes so interested, (c) if the Trustee becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested, (d) at the first meeting after an interested party becomes a Trustee. Disclosure is required to be made by each of our officers 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 or applicable committee thereof, as soon as the officer becomes aware of his or her interest in a contract or transaction or, if not currently an officer, as soon as such person becomes an officer. 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 Trustees or unitholders, that Trustee or officer is required to disclose in writing to the Trustees or applicable committee thereof or request to have entered into the minutes of the meeting of the Trustees or applicable committee thereof the nature and extent of his or her interest forthwith after the Trustee or officer 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 for serving as our Trustee, officer, employee or agent or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance. Certain of our Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors".

Executive Officers

The responsibilities of our senior management will include: (a) leading our management and implementing the resolutions and policies of the Board of Trustees; (b) providing the Board of Trustees with information and advice relating to the operation of our properties, acquisitions and financings; (c) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (d) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (e) maintaining our books and financial records; (f) determining and preparing designations, elections and determinations to be made in connection with income and capital gains for tax and accounting purposes; (g) preparing reports and other information required to be sent to unitholders and other disclosure documents; (h) calculating all distributions; (i) communicating with unitholders and other persons, including investment dealers, lenders and professionals; and (j) administering or supervising the administration, on behalf of the Board of Trustees, of the payment of cash distributions and other distributions.

Trustees' and Officers' Liability Insurance

We intend to carry Trustees' and officers' liability insurance. Under this insurance coverage, we will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by us. Individual Trustees and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. In addition, we will enter into indemnity agreements with each of our Trustees and officers.

EXECUTIVE COMPENSATION

Overview

Our senior management team will consist of individuals employed by DRC. DRC will provide asset management advisory services to us pursuant to the Asset Management Agreement, for which we will pay certain fees. See "Relationship with Dundee Realty Corporation – Asset Management Agreement".

We will not have any employment agreements with members of senior management and we will not pay any cash compensation to any individuals serving as our officers, directly or indirectly. Rather, those individuals will be compensated by DRC. A portion of the compensation paid to certain employees of DRC will be attributable to time spent on our activities.

Our officers named in the "Summary Compensation Table" below are employees of DRC. These officers are referred to herein as the "named executive officers".

The board of directors of DRC will have sole responsibility for determining the compensation of the named executive officers, other than the granting of Deferred Trust Units under the Deferred Unit Incentive Plan, which will be the responsibility of the Compensation Committee of the Board of Trustees. As a private company, DRC is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

As our senior management team will be employed by DRC, we will only be obligated to pay a fixed amount to DRC pursuant to the Asset Management Agreement. Any variability in cash compensation to be paid by DRC to the named executive officers will not impact our financial obligations.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on our activities, and supplements the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follow.

Principal Elements of Compensation

The compensation of the named executive officers will include three major elements: (a) base salary, (b) an annual cash bonus, and (c) long-term equity incentives, consisting of Deferred Trust Units granted under the Deferred Unit Incentive Plan. As a private company, DRC's process for determining executive compensation is relatively straightforward, involving board discussion with input from senior management of the company. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by DRC for determining how one element of compensation fits into the overall compensation objectives in respect of our activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the board of directors of DRC with input from the Compensation Committee of the Board of Trustees.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

These three principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to our success, the position and responsibilities of the named executive officers and competitive industry pay practices for other real estate investment trusts and corporations of comparable size. DRC does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Other comparable real estate businesses that may be considered for benchmarking purposes include Boardwalk REIT, Calloway REIT, CREIT, H&R REIT, RioCan REIT and Morguard Investments Limited. Increases in base salary are at the sole discretion of DRC, with input from of the Compensation Committee of the Board of Trustees.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards, and reward our performance or the named executive officer individually. The determination of our performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as unit price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. AFFO is not defined by IFRS, does not have a standard meaning and may not be comparable with other industries or income trusts. Nevertheless, AFFO is a key performance measure used by real estate operating companies. See "Non-IFRS Measures".

Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

Deferred Trust Units. Grants of Deferred Trust Units under the Deferred Unit Incentive Plan align the interests of the named executive officers more closely with the interests of our unitholders, because they are tied to our financial and Unit trading performance and vest or accrue over a number of years. The Board of Trustees, acting on the recommendation of our Compensation Committee, may designate individuals eligible to receive grants of Deferred Trust Units. In determining grants of Deferred Trust Units, an individual's performance and contributions to our success, relative position, tenure and past grants are taken into consideration.

We do not have a unit option plan.

Summary Compensation Table

The following table provides a summary of the significant elements of compensation anticipated to be paid to each of the named executive officers following the Closing.

Name and principal position	Year	Salary[1][2] ($)	Unit-based awards[3] ($)	Non-equity incentive plan compensation (Bonus)[4][5] ($)	All other compensation ($)	Total compensation ($)
P. Jane Gavan Chief Executive Officer	2011	200,000	200,000	200,000	—	600,000
Douglas Quesnel Chief Financial Officer	2011	160,000	70,000	80,000	—	310,000

(1) Represents the portion of salary anticipated to be paid by DRC attributable to time expected to be spent on our activities.
(2) Annualized base salary immediately after the date of Closing.
(3) Expected value of the grant of Deferred Trust Units. Deferred Trust Units granted vest over a five-year period with one fifth of the Deferred Trust Units vesting each year. Amounts are determined based on the grant date fair value of Deferred Trust Units multiplied by the number of Deferred Trust Units granted in the year. For more information on the Deferred Unit Incentive Plan, see "– Deferred Unit Incentive Plan".
(4) Represents the portion of bonus anticipated to be paid by DRC attributable to time expected to be spent on our activities.
(5) Annualized bonus immediately after the date of Closing.

Deferred Unit Incentive Plan

Eligible Participants may participate in the Deferred Unit Incentive Plan. "Eligible Participants" under the Deferred Unit Incentive Plan consist of (a) the Trustees and officers of the REIT, (b) employees of the REIT or any of its Affiliates, and (c) employees of certain service providers who spend a significant amount of time and attention on the affairs and business of one or more of the REIT and its Affiliates, including DRC so long as it is our asset manager under the Asset Management Agreement. In addition, DRC will also be entitled to participate in the Deferred Unit Incentive Plan so long as it is our asset manager under the Asset Management Agreement. See "Relationship with Dundee Realty Corporation – Asset Management Agreement". The Deferred Unit Incentive Plan provides for the grant to Eligible Participants of Deferred Trust Units and Income Deferred Trust Units. Income Deferred Trust Units are credited to holders of Deferred Trust Units and Income Deferred Trust Units based on distributions paid by us on Units.

Up to a maximum of 2,074,000 Deferred Trust Units and Income Deferred Trust Units will be issuable under the Deferred Unit Incentive Plan, representing approximately 4% of the outstanding Units upon completion of the Offering

(on a fully-exchanged basis). The aggregate of the Units: (a) issued to insiders of the REIT, within any one year period; and (b) issuable to insiders of the REIT, at any time, under the plan, when combined with all of our security based compensation arrangements, shall not exceed 10% of our total issued and outstanding Units.

Under the Deferred Unit Incentive Plan, Deferred Trust Units may be granted from time to time to Eligible Participants at the discretion of the Trustees or the Compensation Committee. The number of Income Deferred Trust Units credited to a holder of Deferred Trust Units and/or Income Deferred Trust Units will be calculated by multiplying the aggregate number of Deferred Trust Units and Income Deferred Trust Units held on the relevant distribution record date by the amount of distributions paid by us on each Unit, and dividing the result by the market value of the Units on the distribution payment date. Market value for this purpose is the volume weighted average closing price of the Units on the Toronto Stock Exchange (the "TSX") on which the Units are quoted for trading for the five trading days immediately preceding the relevant distribution payment date.

Subject as provided below, Deferred Trust Units will vest on either a five year or a three year vesting schedule. Deferred Trust Units granted to an Eligible Participant who is an officer or Trustee of the REIT (a "Five Year Grantee"), will vest on a five year vesting schedule, pursuant to which one-fifth of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of five years. Deferred Trust Units granted to employees of the REIT, its Affiliates or service providers (other than DRC – see "Relationship with Dundee Realty Corporation – Asset Management Agreement") will vest on a three year vesting schedule, pursuant to which one-third of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of three years. Income Deferred Trust Units credited to participants in the Deferred Unit Incentive Plan ("Plan Participants") vest on the same five or three year schedule as their corresponding Deferred Trust Units and are issued on the same date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

Upon the vesting of Deferred Trust Units and Income Deferred Trust Units, we will issue Units to Plan Participants on the basis of one Unit for each Deferred Trust Unit and Income Deferred Trust Unit that has vested. Units are issued by us at no cost to Plan Participants. Grantees have the ability to elect to defer the issuance of Units to them on the vesting of their Deferred Trust Units and Income Deferred Trust Units in respect of any vesting date. The issuance of Units to Grantees may be deferred indefinitely, unless the Grantee's employment or term of office is terminated, in which case Units will be issued on the relevant date of termination of employment or term of office.

Any unvested Deferred Trust Units or Income Deferred Trust Units held by an Eligible Participant will be forfeited if the employment or term of office of the individual is terminated for any reason, whether voluntarily or involuntarily. However, pursuant to the Deferred Unit Incentive Plan, the Trustees may, in their discretion if the circumstances warrant, accelerate the vesting of such units held by an individual whose employment or term of office is terminated. In these circumstances, any unvested Deferred Trust Units or Income Deferred Trust Units will vest effective upon the termination date of the individual, or on such later date or dates determined by the Compensation Committee of the Trustees in its discretion.

Deferred Trust Units and Income Deferred Trust Units are non-transferable, except to a Plan Participant's estate, and the rights of Plan Participants under the Deferred Unit Incentive Plan are not assignable, except as required by law.

The Compensation Committee of the Board of Trustees may review and confirm the terms of the Deferred Unit Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Incentive Plan in whole or in part as well as terminate the Deferred Unit Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Unit Incentive Plan that would, among other things, result in any increase in the number of Deferred Trust Units and Income Deferred Trust Units issuable under the Deferred Unit Incentive Plan or permit Deferred Trust Units or Income Deferred Trust Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of unitholders. Without limitation, the Compensation Committee may, without obtaining the approval of unitholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Unit Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Trust Units and Income Deferred Trust Units issued under the Deferred Unit Incentive Plan. However, subject to the terms of the Deferred Unit Incentive Plan, no amendment may adversely affect the Deferred Trust Units or Income Deferred Trust Units previously granted under the Deferred Unit Incentive Plan without the consent of the affected Plan Participant.

Trustees' Compensation

The Trustees' compensation program is designed to attract and retain the most qualified individuals to serve on the Board of Trustees. In consideration for serving on the Board of the Trustees for 2011, each Trustee that is not an employee of the REIT or DRC or one of their respective Affiliates will be compensated as indicated below:

Type of Fee[1]	Amount ($)
Trustee Annual Retainer	$25,000/year
Board Chair Annual Retainer[2]	$100,000/year
Audit Committee Chair Annual Retainer	$20,000/year
Other Committee Chair Annual Retainer	$3,000/year
Board Meeting Attendance Fee	$1,500/meeting
Committee Attendance Fee	$1,500/meeting

(1) Trustees may elect to be paid the board retainer in cash or in an equivalent value of Deferred Trust Units granted under the Deferred Unit Incentive Plan.

(2) The Chairman of the Board of Trustees will receive such amount if he or she is not an employee of the REIT or DRC or one of their respective Affiliates, but will not receive any other fees for board or committee meetings attended.

The Trustees will also be reimbursed for their out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees will be entitled to receive remuneration for services rendered to us in any other capacity, except in respect of their service as directors of any of the REIT's Subsidiaries. Trustees who are employees of and who receive salary from the REIT or DRC or one of their respective Affiliates will not be entitled to receive any remuneration for their services in acting as Trustees, but will be entitled to reimbursement of their out-of-pocket expenses incurred in acting as Trustees.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Our investment and operating activities are limited because our operating business is carried out by our Subsidiaries and the Dundee FCPs. The investment guidelines governing our investments in real estate and other assets and the operating policies governing our investments are set out below.

Investment Guidelines

Pursuant to the Declaration of Trust and other documents governing us, our assets may be invested only in accordance with the following investment guidelines:

1. The REIT will only invest in units, notes and securities of its Subsidiaries, the Dundee FCPs and Lorac, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian chartered bank or trust company and, subject to certain limitations summarized in paragraph 2 below, such other investments as the Trustees deem advisable from time to time;
2. The REIT will not make, or permit any of its Subsidiaries or the Dundee FCPs to make, any investment that could result in:
   - (i) the Units being disqualified for investment by Plans;
   - (ii) the REIT or any of its Subsidiaries or the Dundee FCPs being liable under the Tax Act to pay a tax imposed under either paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act; or
   - (iii) the REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;
3. Subsidiaries of the REIT and the Dundee FCPs may only invest in revenue producing real properties or assets or assets ancillary thereto located outside of Canada;
4. when making investments, Subsidiaries of the REIT and the Dundee FCPs shall consider the following factors: the political environment and governmental and economic stability in the relevant jurisdiction(s), the long-term growth prospects of the assets and the economy in the relevant jurisdiction(s) and the income-producing stability of the assets;
5. Subsidiaries of the REIT and the Dundee FCPs will not invest in raw land (except for the acquisition of properties adjacent to our existing properties for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 10% of our Adjusted Unitholders' Equity); and
6. Subsidiaries of the REIT and the Dundee FCPs 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 us and secured by a mortgage on such property) up to 25% of our Adjusted Unitholders' Equity in investments or transactions outside Canada which do not otherwise comply with our investment guidelines, so long as the investment does not contravene paragraph 2 above.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which we have an interest will be deemed to be those of the REIT 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.

Pursuant to the Declaration of Trust, the investment guidelines set forth above may only be amended with the approval of at least 66⅔% of the votes cast at a meeting of unitholders of the REIT called for that purpose except for certain amendments that may be undertaken by a majority of the Trustees pursuant to the Declaration of Trust.

Operating Policies

The Declaration of Trust and other documents governing us provide that our operations and affairs must be conducted in accordance with the following operating policies and that we will not permit any of our Subsidiaries or the Dundee FCPs to conduct its operations and affairs other than in accordance with the following operating policies:

1. to the extent our Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the REIT and our unitholders, any written instrument which in the judgment of our Trustees

creates a material obligation of the REIT must 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 of the REIT, annuitants or beneficiaries under a plan of which a Unitholder acts as a Trustee or carrier or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof will be bound;

2. the REIT will only guarantee the obligations of wholly-owned Subsidiaries (other than any wholly-owned Subsidiaries that are general partners in partnerships that are not wholly-owned by the REIT) and the Dundee FCPs, provided that the REIT may guarantee the obligations of wholly-owned Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT if the REIT has received an unqualified legal opinion that the guarantee by the REIT of the obligations of wholly-owned Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT will not cause the REIT to cease to qualify as a "mutual fund trust" for the purposes of the Tax Act;

3. Subsidiaries of the REIT and the Dundee FCPs will 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 Subsidiaries of the REIT or the Dundee FCPs to the vendor and its affiliates is in excess of 15% of our Adjusted Unitholders' Equity;

4. the limitation referred to in paragraph 3 above will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:

   (i) a federal, provincial, state, municipal or city government, or any agency or crown corporation thereof, of any jurisdiction; or

   (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 were entered into that is not less than A low or its equivalent;

5. Subsidiaries of the REIT and, subject to the restrictions applicable to each Dundee FCP under its private placement memorandum, the Dundee FCPs may engage in construction or development of real property provided such real property meets our investment guidelines and operating policies;

6. except for the Initial Properties, title to each real property shall be held by and registered in the name of a Subsidiary of the REIT or a corporation or other entity wholly-owned, directly or indirectly, by a Subsidiary of the REIT or jointly-owned, directly or indirectly, by a Subsidiary of the REIT with joint venturers; provided that where land tenure will not provide fee simple title, a Subsidiary of the REIT or a corporation or other entity wholly-owned, directly or indirectly, by a Subsidiary of the REIT or jointly-owned, directly or indirectly, by a Subsidiary of the REIT with joint venturers will hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

7. except for the Initial Properties, Subsidiaries of the REIT and the Dundee FCPs will have conducted environmental and other diligence, as is commercially reasonable in the circumstance, on each real property they intend to acquire with respect to the physical condition thereof, including required capital replacement programs;

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

9. Subsidiaries of the REIT and the Dundee FCPs will maintain an interest coverage ratio, being EBITDA to interest expense, of no less than 1.4 times, where EBITDA for purposes of our operating policies is a generally accepted proxy for operating cash flow and represents earnings before interest expense, income tax expense, depreciation and amortization expense, transaction cost expense, gains/losses on disposition of property, fair value adjustments on investment properties and debt instruments and other unrealized gains/losses that may occur under IFRS.

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

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 of the REIT called for that purpose.

DISTRIBUTION POLICY

The following outlines our expected distribution policy to be 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 our distribution policy. Our distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of our unitholders.

General

We intend to make regular monthly cash distributions to Unitholders derived from our investment in Dundee LP. We expect that the initial monthly cash distribution rate will be $0.06667 per Unit. The initial cash distribution, which will be for the period from and including the date of Closing to August 31, 2011, is expected to be paid on September 15, 2011 to Unitholders of record on August 31, 2011 and is estimated to be $0.06237 per Unit (assuming the Closing occurs on August 3, 2011).

We estimate that the initial annual distribution rate (including interest on the Exchangeable Notes) will represent approximately 90% of AFFO for the 12 months ended June 30, 2012. Our intended initial annual distribution rate has been established based on our estimate of AFFO for the 12 months ended June 30, 2012, which we have calculated based on adjustments to our *pro forma* net income for the 12 months ended June 30, 2011 (after giving effect to the Offering and the Acquisition). This estimate was based on our *pro forma* operating results and does not take into account our growth strategy, income generated from the proceeds of the sale of any Units or Debentures pursuant to the exercise of the Over-Allotment Option until invested, any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our AFFO for the 12 months ended June 30, 2012, we have made certain assumptions as reflected in the section “Financial Forecast”.

Our estimate of AFFO does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for acquisition and other activities, other than a reserve for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities, other than scheduled loan principal payments on the Term Loan Credit Facility and other indebtedness that will be outstanding upon completion of the Offering. Any such investing and/or financing activities may have a material effect on our estimate of AFFO. Because we have made the assumptions set forth above in estimating AFFO, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and we have estimated AFFO for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of AFFO should not be considered as an alternative to cash flow from operating activities (computed in accordance with IFRS) or as an indicator of our liquidity or our ability to make other distributions. In addition, the methodology upon which we made the adjustments described herein is not necessarily intended to be a basis for determining future dividends or other distributions. We do not anticipate that we will be subject to Canadian tax at the REIT level, because we will not be a SIFT trust and we intend to distribute our full taxable income to Unitholders each year. However, our level of distributable income will be affected by the level of foreign tax, if any, that may be payable by our Subsidiaries or the Dundee FCPs.

We intend to maintain our initial distribution rate for the 12-month period following completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized by the Board of Trustees in its sole discretion out of funds legally available for distribution to our unitholders and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We believe that our estimate of AFFO constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distributions per unit if the Over-Allotment Option is exercised; however, this could require us to make distributions from the net proceeds of the Offering.

We cannot assure you that our estimated distributions will be made or sustained. Any distributions we pay in the future will depend upon our actual results of operations, currency exchange rates, economic conditions, debt service requirements and other factors that could differ materially from our expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses,

interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors".

Distributions in respect of a month are paid on or about each Distribution Date to Unitholders of record as at the close of business on the corresponding Distribution Record Date. This means that the distribution for any month is generally paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

In addition, on December 31 of each year, having regard to the present intention of the Trustees, we intend to make payable to such Unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non capital losses recognized on or before the end of such year such that we 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 15. We will also pay distributions on the Special Trust Units, although they will be nominal.

Where the Trustees determine that we do 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 Units, as the case may be, or fractions of such Units, 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 the Units. Notwithstanding the foregoing, distributions on the Special Trust Units will only be made in cash.

Unless the Trustees determine otherwise, immediately after any *pro rata* distribution of additional Units to unitholders, the number of outstanding Units will automatically be consolidated such that each of such holders will hold after the consolidation the same number of Units 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.

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 (a) 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 (b) 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 tax 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

We estimate that, of the monthly cash distributions to be made by us to Unitholders, approximately 45% in 2012 will be tax deferred by reason of our ability to claim depreciation and certain other deductions. Such estimate is based on the facts set out in this prospectus, the financial forecast and related assumptions, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of CRA and the Tax Proposals and the current tax legislation and current publicly available published administrative policies and assessing practices of Germany, Luxembourg, Gibraltar and the Cayman Islands. The estimate of the deferral may also be impacted by the amount of FAPI resulting from changes in foreign currency exchange rates. The adjusted cost base of Units held by a Unitholder will generally be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. See "Certain Canadian Federal Income Tax Considerations", "Certain Non-Canadian Income Tax Considerations" and "Risk Factors".

Hedging Arrangements

We intend to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders and interest to Debentureholders. See "Currency Hedging Arrangements".

DRIP

We will have a distribution reinvestment and unit purchase plan entitling certain holders of Units to reinvest all cash distributions made by the REIT in additional Units. The price at which Units are acquired for DRIP participants is determined by us but is generally a price per Unit calculated by reference to a five day volume weighted average closing price of the Units on the TSX on which the Units are listed preceding the relevant Distribution Date. Participants electing to reinvest cash distributions in Units pursuant to our DRIP receive a further "bonus" distribution equal to 4% of the amount of each cash distribution that they reinvest, which further distribution is also reinvested in Units. Participants may also make optional cash purchases of additional Units pursuant to the DRIP in a maximum amount of $250,000 per year. Participants in the DRIP do not receive a bonus distribution of Units in connection with any such optional cash purchases. We may amend, suspend or terminate the DRIP at any time.

Participation in the DRIP is open to holders of Units, other than those who are resident or present in the United States. If a participant in the DRIP is not resident in Canada, participation in the DRIP is subject to applicable withholding tax. In those circumstances, cash that would otherwise be distributed to such participants by us on any given Distribution Date is reduced by the amount of applicable withholding tax, and then applied towards the purchase of additional Units pursuant to our DRIP. No brokerage commission is payable in connection with the purchase of Units under the DRIP and all administrative costs are borne by us. We will use the proceeds received upon the issuance of additional Units under the DRIP for future property acquisitions, capital improvements and working capital.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

The REIT is governed by the Declaration of Trust and, unless earlier terminated in accordance with the Declaration of Trust, it shall continue in full force and effect so long as any property of the REIT is held by the Trustees. Unitholders will have all of the material protections, rights and remedies a shareholder would have under the CBCA, except for the right to dissent and be paid the fair value of its units that would be available if the REIT were a corporation governed by the CBCA and the REIT were to effect certain transactions, including amending its constating documents to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares or to add, change or remove any restriction on the activities that the REIT may carry on; selling, leasing or exchanging all or substantially all its property; or carrying out a going-private transaction or squeeze-out transaction (as such terms are defined in the CBCA or the regulations thereunder). These protections, rights and remedies are contained in the Declaration of Trust. 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.

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. REIT Units shall be issued only as fully paid and non-assessable. Each REIT Unit when issued shall vest indefeasibly in the holder thereof.

Issued and outstanding units may be subdivided or consolidated from time to time by the Trustees with the approval of a majority of unitholders entitled to vote. Unitholder approval will not be required for an automatic consolidation as described under “Distribution Policy”.

No certificates will be issued for fractional units and fractional units will not entitle the holders thereof to vote, except to the extent such fractional units represent in the aggregate one or more whole units. Holders of Special Trust Units are not entitled to receive a certificate evidencing ownership of such units.

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

The Units

Each Unit represents an undivided beneficial interest in the REIT and in distributions made by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of the termination or winding-up of the REIT, in its net assets remaining after the satisfaction of all its liabilities. The Units rank among themselves equally and rateably without discrimination, preference or priority. The distribution entitlement of the Units is derived from the securities held by the REIT.

Each Unit entitles the holder thereof to one vote for each whole Unit held at meetings of unitholders.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation. Furthermore, we are not a trust company and, accordingly, we are not registered under any trust and loan company legislation as we do not carry on nor intend to carry on the business of a trust company.

Special Trust Units

The Special Trust Units may only be issued in connection with the issuance of securities exchangeable for Units and will be used to provide voting rights with respect to the REIT to persons holding such exchangeable securities. Holders of Special Trust Units are not entitled to any share of or interest in the distributions or net assets of the REIT. The Special Trust Units are not transferable separately from the exchangeable securities to which they relate. Upon any transfer of any exchangeable securities, the corresponding Special Trust Units will automatically be transferred to the transferee of such exchangeable securities. The Special Trust Units may only be transferred to permitted transferees of Special Trust Units. In addition, as exchangeable securities are exchanged by a holder, the corresponding Special Trust Units will be automatically cancelled.

Each Special Trust Unit entitles the holder thereof to one vote at all meetings of unitholders. On Closing, 8,000,000 Special Trust Units will be issued to LSF in connection with the Exchangeable Notes.

Issuance of REIT Units

We 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, we 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 except that Special Trust Units may only be issued in connection with the issuance of securities exchangeable into Units. Units are generally issued in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units.

The Declaration of Trust provides Dundee Corporation with a pre-emptive right pursuant to which the Trustees will not issue, or agree to issue, any Units, or any securities which are convertible or exchangeable for or into Units, to any person unless the Trustees first make an offer to Dundee Corporation to issue that number of Units or securities, at a price per Unit determined by the Trustees, necessary to maintain the percentage of the outstanding voting interest in the REIT held by Dundee Corporation and its affiliates at the date of the offer. This pre-emptive right, however, will not apply to any issuances of Units by us pursuant to the DRIP referred to under "Distribution Policy – DRIP", the Deferred Unit Incentive Plan or under the Exchange Agreement. Dundee Corporation also has the option to purchase more than its proportionate share and, in such event, any excess portion of the Units subscribed for by it will be issued to it on the same terms and conditions as issued to any other person. Any Units not taken up by Dundee Corporation may be issued to any person within three months of the date of such offer at not less than the price offered to Dundee Corporation.

Other than the pre-emptive right granted to Dundee Corporation pursuant to our Declaration of Trust, unitholders do not have any pre-emptive rights whereby additional REIT Units are first offered to existing unitholders.

Purchase of Units

We may from time to time purchase for cancellation Units at a price per 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.

Unit Redemption Right

Units are redeemable at any time on demand by the holders thereof by sending a notice to the REIT at our 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 identity, capacity or authority. A Unitholder not otherwise holding a fully registered 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 the REIT. Upon receipt by us of a written redemption notice and other documents that may be required, all in a manner satisfactory to the Trustees, a holder of Units shall cease to have any rights with respect to the tendered Units, including any right to receive any distributions thereon which are declared payable after receipt of the redemption notice by us, and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

1. 90% of the "market price" of the Units on the principal exchange or market on which the Units are quoted for trading on the trading day prior to the day on which the Units were surrendered to the REIT for redemption (the "Redemption Date"); and
2. 100% of the "closing market price" of the Units on the principal exchange or market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, the "market price" in respect of Units shall be an amount equal to the weighted average closing price of the Units on the principal exchange or market on which the Units are listed or quoted

for trading during the period of 20 consecutive trading days ending on such date; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" as at a specified date will be an amount equal to the weighted average of the highest and lowest prices of the Units on the principal exchange or market on which the Units are listed or quoted for trading during the period of 20 trading consecutive trading days ending on such date; 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 an amount equal to the weighted average of the following prices established for each of the 20 trading days: (a) the weighted average of the last bid and last asking prices of the Units for each day on which there was no trading; (b) the closing price of the Units for each day on which there was trading if the exchange or market provides a closing price; and (c) the weighted average of the highest and lowest prices of Units for each day that there was trading if the exchange or market provides only the highest and lowest prices of Units traded on a particular day.

The "closing market price" in respect of the Units as at a specified date will be (a) an amount equal to the closing price of Units if there was a trade on the date and the exchange or market provides a closing price; (b) an amount equal to the weighted average of the highest and lowest prices of Units 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 Units traded on a particular day; or (c) the weighted average of the last bid and last asking price of Units if there was no trading on the date.

The aggregate Redemption Price payable by us in respect of any Units tendered for redemption during any calendar month will 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 Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

1. the total amount payable by us in respect of such Units and all other 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 Units tendered for redemption in any particular calendar month;
2. at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading or quoted on a stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; or
3. the normal trading of outstanding Units is not suspended or halted on any stock exchange on which the Units of such series are listed (or, if not listed on a stock exchange, on any market on which the Units of such series are quoted for trading) on the Redemption Date for the 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 Units of such series.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations in paragraphs 2 and 3 above, then each Unit tendered for redemption shall, subject to obtaining all applicable regulatory approvals, be redeemed by way of a distribution *in specie* of Subsidiary Securities. The fair market value of such Subsidiary Securities would be equal to the product of the Redemption Price per unit payable by us and the number of Units tendered. However, no Subsidiary Securities with a fair market value of less than $100 will be distributed and, where the fair market value of Subsidiary Securities to be received by the former holder of Units upon redemption *in specie* would otherwise include a Subsidiary Security with a fair market value of less than a multiple of $100, such amount will be rounded down to the next lowest multiple of $100 and the excess will be paid in cash.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the limitation in paragraph 1 above, the holder will receive a combination of cash and, subject to obtaining all applicable regulatory approvals, Subsidiary Securities, determined in accordance with the Declaration of Trust.

It is anticipated that the redemption right described above will not be the primary mechanism for unitholders to dispose of their Units. Subsidiary Securities 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 Subsidiary Securities so distributed may not be qualified investments for Plans depending upon the circumstances at the time.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders and holders of Special Trust Units must be called and held for the election or removal of Trustees, the appointment or removal of our auditors, the approval of amendments to the Declaration of Trust (except as described below under "– Amendments to the Declaration of Trust and Other Documents"), the sale of our assets as an entirety or substantially as an entirety (other than as part of an internal reorganization of our assets as approved by the Trustees) and the termination of the REIT. Meetings of Unitholders and holders of Special Trust Units will be called and held annually within 180 days after the end of the fiscal year for the election of the Trustees and appointment of our auditors.

The Trustees 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 outstanding REIT Units entitled to vote at such meeting (on a fully diluted basis) may requisition the Trustees in writing to call a special meeting of the 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 CBCA.

Unitholders may attend and vote at meetings of 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. If no quorum is present at any meeting of unitholders when called, the meeting, if convened on the requisition of unitholders, will be dissolved, but in any other case 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.

Book-Based System for Units; No Certificates for Special Trust Units

Units may be represented in the form of one or more fully registered unit certificates held by, or on behalf of, CDS, as custodian of such certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of Units may be effected through the book-based system administered by CDS.

No holder of Special Trust Units is entitled to a certificate or other instrument from us evidencing the holder's ownership of such 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 the REIT) require approval by at least 66⅔% 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 unitholders called for such purpose.

The following amendments require the approval of at least 66⅔% of the votes cast by unitholders at a meeting called for that purpose:

1. any amendment to the Declaration of Trust (subject to the exceptions outlined in the Declaration of Trust);
2. the sale of the property or assets of the REIT as an entirety or substantially as an entirety or the sale of all or substantially all of the assets of a Subsidiary (other than as part of an internal reorganization, including by way of the transfer of property or assets of the REIT or a Subsidiary of the REIT or the Dundee FCPs, as approved by the Trustees);
3. the termination of the REIT by the unitholders;
4. an exchange, reclassification or cancellation of all or part of the REIT Units;

5. 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:
   (a) the removal or change of rights to distributions attached to the REIT Units; or
   (b) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights attached to the REIT Units;
6. the creation of new rights or privileges attaching to certain REIT Units;
7. any change to the existing constraints on the issue, transfer or ownership of the REIT Units; and
8. the combination, amalgamation, or arrangement of any of the REIT, Subsidiaries of the REIT or the Dundee FCPs with any other entity.

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

1. to the extent deemed by the Trustees in good faith to be necessary to remove any conflicts or other inconsistencies which may exist between any of the terms of the Declaration of Trust and the provisions of any applicable law;
2. to the extent determined by the Trustees in good faith to be necessary to make any change or correction in the Declaration of Trust which is a typographical change or correction or which the Trustees have been advised by legal counsel is required for the purpose of curing any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error contained herein;
3. to ensure compliance with applicable laws in effect from time to time;
4. (a) to create and issue one or more new classes of preferred equity securities of the REIT (each of which may be comprised of unlimited series) that rank in priority to the REIT Units (in payment of distributions and in connection with any termination or winding-up of the REIT) and/or (b) to remove the redemption right attaching to the Units and convert the REIT into a closed-end limited purpose trust; and
5. as otherwise deemed by the Trustees in good faith to be necessary or desirable.

Effect of Termination

The REIT will continue in full force and effect until such time as it is terminated by either the Trustees or unitholders. The Trust may be terminated by the vote of at least at least 66⅔% of the votes cast at a meeting of the Unitholders and holders of Special Trust Units called for that purpose. The unitholders shall participate *pro rata* in any remaining distributions by the REIT.

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 Units and not less than 90% of the Units (including Units issuable upon the surrender or exchange of any securities for Units but not including any 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 Units held by the remaining Unitholders who did not accept the take-over bid by requiring such Unitholders to elect (a) to transfer their Units to the Offeror on the terms on which the Offeror acquired the Units of the offerees who accepted the take-over bid, or (b) to demand payment of the fair value of the Units.

Information and Reports

We will furnish, in accordance with and subject to applicable securities legislation, to unitholders our consolidated financial statements (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 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.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety, by the terms of the Trust Indenture. A copy of the Trust Indenture will be available on SEDAR at www.sedar.com.

Convertible Debentures

The Debentures will be issued under and pursuant to the provisions of the Trust Indenture. The Debentures will be limited in the aggregate principal amount to $161,000,000. We may, however, from time to time, without the consent of the Debentureholders, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof. At the Closing of this Offering, the Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "– Book-entry, Delivery and Form". No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 5.5% per annum, which will be payable semi-annually on July 31 and January 31 in each year, commencing with January 31, 2012; the first payment will include accrued and unpaid interest for the period from and including the day of the Closing of this Offering to but excluding January 31, 2012. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Trust Indenture. At our option, and subject to regulatory approval, we may issue and solicit bids to sell sufficient freely-tradeable Units in order to raise funds to satisfy all or any part of our obligations to pay interest on the Debentures, but, in any event, the holders of Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the Debentures. See "– Interest Payment Election".

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

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

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

Conversion Privilege

The Debentures will be convertible at the holder's option into fully-paid, non-assessable and freely-tradeable Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the Business Day immediately preceding the date specified by us for redemption of the Debentures, at a conversion price of $13.00 per Unit being a ratio of approximately 76.9231 Units per $1,000 principal amount of Debentures. No adjustment to the Conversion Price will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest in respect thereof for the period from and including the last interest payment date on their Debentures to but excluding the last record date set by us occurring prior to the date of conversion for determining the Unitholders entitled to receive a distribution on the Units. Notwithstanding the foregoing, no Debentures may be converted during the period from the close of business on the Record Date preceding the Interest Payment Date to and including such Interest Payment Date, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Trust Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to

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

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

No fractional Units will be issued on any conversion of the Debentures but in lieu thereof we shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Payment upon Redemption or Maturity

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

Interest Payment Election

Unless an Event of Default has occurred and is continuing, we may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and solicit bids to sell sufficient freely-tradeable Units in order to raise funds to satisfy all or any part of our obligations to pay interest on the Debentures in accordance with the Trust Indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units. The Trust Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery of the proceeds with respect to such sales of Units; (b) invest the proceeds of such sales in specified short term Canadian federal or provincial government or Canadian chartered bank obligations which mature prior to the applicable Interest Payment Date; (c) deliver proceeds to Debentureholders sufficient to satisfy our interest payment obligations; and (d) perform any other action necessarily incidental thereto as directed by us in our absolute discretion. The amount received by a holder in respect of interest and the timing of payment thereof will not be affected by whether or not we elect to utilize the Unit Interest Payment Option.

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

Redemption and Purchase

We may not redeem the Debentures prior to August 31, 2014, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under "– Put Right upon a Change of Control". On and after August 31, 2014, but prior to August 31, 2016, the Debentures may be redeemed, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the latest Interest Payment Date provided that the Current Market Price immediately preceding the date upon which the notice of redemption is given is not less than 125% of the Conversion Price. On and after August 31, 2016 and prior to the Maturity Date, we may redeem the Debentures in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the latest Interest Payment Date on not more than 60 days' and not less than 30 days' prior written notice.

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

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

Cancellation

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

Subordination

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

The Trust Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the REIT, or to the REIT's property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the REIT, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the REIT, all creditors entitled to Senior Indebtedness will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

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

Put Right upon a Change of Control

Upon the occurrence of a Change of Control, each holder of Debentures may require us to purchase, on the Put Date, the whole or any part of such holder's Debentures for the Total Put Price.

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

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

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

(a) we will, as soon as practicable after the occurrence of a Change of Control and in any event no later than five Business Days thereafter, give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will, as soon as practicable thereafter and in any event no later than two Business Days after receiving notice from us, give to the Debenture a notice of the Change of Control, the repayment right of the Debentureholders and our right to redeem untendered Debentures under certain circumstances; and

(b) a holder of Debentures, to exercise the right to require us to purchase its Debentures, must deliver to the Debenture Trustee, not less than five Business Days prior to the Put Date, written notice of the holder's exercise of such right, together with a duly endorsed form of transfer.

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

Modification

The rights of the Debentureholders may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture will contain certain provisions which will make Extraordinary Resolutions binding on all Debentureholders. Under the Trust Indenture, the Debenture Trustee will have the right to make certain amendments to the Trust Indenture in its discretion, without the consent of the Debentureholders.

Events of Default

The Trust Indenture will provide that an Event of Default in respect of the Debentures will occur if certain events described in the Trust Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration of acceleration or otherwise; (c) an unremedied breach of any material covenant or condition of the Trust Indenture by us after a 30 day cure period following notice of such breach; or (d) certain events of bankruptcy, insolvency or reorganization of the REIT under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. Certain Events of Default may be waived by written direction of the holders of 66⅔% of the principal amount of the outstanding Debentures, by Extraordinary Resolution or by the Debenture Trustee in certain circumstances in accordance with the terms of the Trust Indenture.

Offers for Debentures

The Trust Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a takeover bid for Debentures within the meaning of the *Securities Act* (Ontario), and not less than 90% of the outstanding principal amount of the Debentures (other than Debentures held at the date of the takeover bid by or on

behalf of the Offeror or associates or Affiliates of the Offeror or any person acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Debentures held by Debentureholders who did not accept the offer on the terms offered by the Offeror.

Book-entry, Delivery and Form

Debentures will be issued in the form of global Debentures held by, or on behalf of, the Depository as custodian for its participants.

All Debentures will be represented in the form of global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in "book-entry only" form (unless we, in our sole discretion, elect to prepare and deliver definitive Debentures in fully-registered form). Beneficial interests in the global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (the "participants"). Each purchaser of a Debenture represented by a global Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in global Debentures.

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

Transfer and Exchange of Debentures

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

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

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

Payments

Payments of interest and principal on each global Debenture will be made to the Depository or its nominee, as the case may be, as the registered holder of the global Debenture. As long as the Depository or its nominee is the registered owner of a global Debenture, such Depository or its nominee, as the case may be, will be considered the sole legal

owner of the global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Trust Indenture and the Debentures. Interest payments on global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to the Depository or its nominee, as the case may be. We will make any withholdings or deductions from all payments of interest on the Debentures in respect of taxes required by law or by the interpretation or administration thereof and will remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

We understand that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a global Debenture, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such global Debenture as shown on the records of the Depository or its nominee. We also understand that payments of interest and principal by participants to the owners of beneficial interest in such global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants. Our responsibility and liability in respect of payments on Debentures represented by the global Debenture is limited solely and exclusively, while the Debentures are registered in global Debenture form, to making payment of any interest and principal due on such global Debenture to the Depository or its nominee.

If definitive Debentures are issued instead of or in place of global Debentures, payments of interest on each definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the definitive Debenture or if required under any applicable payment clearing system rules, or by cheque dated the Interest Payment Date and mailed at least five Business Days preceding the applicable Interest Payment Date to the address of the holder appearing in the register maintained by the registrar for the Debentures at the close of business on the Record Date. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in the City of Toronto, Ontario (or in such other city or cities as may from time to time be designated by us) against surrender of the definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any definitive Debenture is not, at the place of payment, a Business Day, such payment will be made on the next Business Day and the holder of such definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Reports to Holders

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

Governing Law

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

CAPITALIZATION

The following table sets forth our *pro forma* consolidated capitalization as at April 21, 2011, both before and after giving effect to the Offering and the Acquisition, but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with our *pro forma* consolidated financial statements and notes thereto contained in this prospectus.

	As at April 21, 2011[1]	As at April 21, 2011 after giving effect to the Offering and the Acquisition
Unitholders' Equity	$400,000	$ 366,211,000
Indebtedness	$ —	$ 647,429,000
Total Capitalization	$400,000	$1,013,640,000

Notes:

(1) The REIT was initially settled on April 21, 2011 with $400,000 in cash.

EARNINGS COVERAGE RATIOS

The earnings coverage ratios set forth below have been prepared in accordance with applicable Canadian disclosure requirements using financial information from our unaudited *pro forma* consolidated financial statements for the 12 months ended December 31, 2010 and for the three months ended March 31, 2011, prepared in accordance with IFRS. See "Index to Financial Statements". The earnings coverage ratios based on our historical financial statements for the 12 months ended December 31, 2010 and for the 12 months ended March 31, 2011 would be nil as we had no operations for those periods.

Earnings coverage is equal to the profit or loss attributable to our owners before borrowing costs and income taxes, divided by borrowing costs. The *pro forma* ratios, which have been calculated for the 12 months ended December 31, 2010 and for the three months ended March 31, 2011, are based on our *pro forma* consolidated financial statements, which give effect to the Offering and the Acquisition as if they had taken place on January 1, 2010, and the issuances and retirements of financial liabilities since December 31, 2010 and March 31, 2011, respectively, including the issuance of the loan under the Term Loan Credit Facility and the Exchangeable Notes on Closing.

	For the 12 Months Ended December 31, 2010, after giving effect to the Offering and the Acquisition and issuances and retirements of obligations since that date	**For the three Months Ended March 31, 2011, after giving effect to the Offering and the Acquisition and issuances and retirements of obligations since that date**
	(pro forma)	***(pro forma)***
Earnings coverage ratios[(1)(2)(3)(4)(5)]	1.78	2.03

Notes:

(1) The *pro forma* earnings coverage ratios include the borrowing costs on the Debentures in the calculation assuming that the Debentures will be allocated into its debt and conversion feature components in accordance with IFRS, and that related issuance costs are deducted from the debt component.

(2) The *pro forma* profit attributable to our owners before borrowing costs and income taxes for the 12 months ended December 31, 2010 is $63.9 million and for the three months ended March 31, 2011 is $18.0 million.

(3) Our *pro forma* borrowing cost requirements, after giving effect to the Offering and the Acquisition and issuances and retirements of financial liabilities, including the issuance of the loan under the Term Loan Credit Facility and the Exchangeable Notes on Closing, amount to $35.8 million for the 12 months ended December 31, 2010 and $8.8 million for the three months ended March 31, 2011.

(4) The *pro forma* profit attributable to our owners assumes that there are no additional earnings derived from the net proceeds of the Offering other than those resulting from the Acquisition.

(5) Prepared using financial information from our *pro forma* consolidated financial statements for the 12 months ended December 31, 2010 and for the three months ended March 31, 2011.

USE OF PROCEEDS

The net proceeds of this Offering are estimated to be approximately $386,250,000 ($444,630,000 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. In addition, we will receive proceeds of $120 million from the sale of Units to Dundee Corporation and DRC. See "Key Investors".

The aggregate amount payable in connection with the Acquisition is €736.5 million, excluding acquisition costs of €4.7 million. See "Our Structure and Formation". Of this amount, €328.5 million, excluding €7.0 million of related financing costs, will be funded from the proceeds of the Term Loan Credit Facility and approximately €58.4 million will be funded from the proceeds of the Exchangeable Notes. See "Financing of the Initial Properties" and "LSF Interest". As a result, the remaining €361.4 million (approximately $494.9 million, using the 10-day average noon rate of exchange on July 15, 2011) payable in connection with the Acquisition will be funded from the proceeds of the Offering and the proceeds of the sale of Units to Dundee Corporation and Units to DRC. The balance of approximately $11.3 million will be used for general trust purposes.

The net proceeds from the sale of Units and Debentures by us on exercise of the Over-Allotment Option will be used by us for general trust purposes.

For more details on the Acquisition, and the debt financing to be assumed or incurred by us in connection with the Acquisition, see "Our Structure and Formation".

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, we have agreed to sell and the Underwriters have agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on August 3, 2011 or such later date as may be agreed between the Underwriters and us but, in any event, not later than August 17, 2011, 27,000,000 Units at a purchase price of $10 per Unit and $140,000,000 aggregate principal amount of Debentures at a purchase price of $1,000 per Debenture, for aggregate gross consideration of $410,000,000 payable in cash to us against delivery. In consideration for their services in connection with the Offering, we have agreed to pay the Underwriters a fee of $0.55 per Unit and $42.50 per Debenture, being an aggregate of $20,800,000. The Underwriters will not receive any fee in respect of the 10,000,000 Units to be purchased by Dundee Corporation or the 2,000,000 Units to be purchased by DRC concurrently with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions, including the condition that the Acquisition be completed concurrently with the completion of the Offering, and may be terminated at their discretion upon the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units and Debentures if any Units or Debentures are purchased under the Underwriting Agreement. We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the Underwriters may be required to make in respect of those liabilities.

The TSX has conditionally approved the listing of the Units and the Debentures. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before October 7, 2011. There is currently no market through which the Units or Debentures may be sold and purchasers of Units or Debentures may not be able to resell the Units or Debentures purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

The Offering is being made in each of the provinces of Canada. The Units and Debentures will be offered in each of the provinces of Canada through those Underwriters or their Affiliates who are registered to offer the Units and Debentures for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Units and Debentures outside of Canada. See “Notice to Certain European Investors”.

The Units and Debentures offered hereby have not been and will not be registered under the 1933 Act or any applicable state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an applicable exemption from the 1933 Act and exemptions from any applicable state securities laws. Accordingly, the Underwriters have agreed that they will not offer or sell the Units or Debentures within the United States of America, its territories, its possessions and other areas subject to its jurisdiction, or to, or for the account or benefit of, U.S. persons, except, in accordance with the Underwriting Agreement, pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and/or to a limited number of certain qualified institutional buyers (as defined in Rule 144A under the 1933 Act) and institutional “accredited investors” (as defined in Rule 501(a)(1),(2),(3) or (7) of Regulation D under the 1933 Act) in transactions that are exempt from the registration requirements under the 1933 Act, and, in each case, in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units or Debentures in the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units or Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made pursuant to an exemption under the 1933 Act.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved by the Underwriters to close the subscription books at any time without notice.

The Underwriters propose to offer the Units and Debentures initially at the offering prices specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Units and Debentures at

the prices specified on the cover page, the offering prices may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units and Debentures is less than the price paid by the Underwriters to us.

Over-Allotment Option

We have granted to the Underwriters an Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the Closing, to purchase up to 4,050,000 additional Units and up to an additional $21,000,000 aggregate principal amount of Debentures on the same terms as set out above solely to cover over-allotments, if any. We have agreed to pay to the Underwriters a fee of $0.55 per Unit and a fee of $42.50 per Debenture with respect to Units and Debentures issued under the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Units and Debentures on the exercise of the Over-Allotment Option. A purchaser who acquires Units or Debentures forming part of the Underwriters' over-allocation position acquires such Units or Debentures under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units and/or Debentures. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units and/or Debentures. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

In order to facilitate the Offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Units or the Debentures. Specifically, the Underwriters may sell more Units or Debentures than they are obligated to purchase under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is not greater than the number of Units or Debentures available for purchase by the Underwriters under the Over-allotment Option. The Underwriters can close out a covered short sale by exercising the Over-Allotment Option or purchasing Units or Debentures in the open market. In determining the source of Units or Debentures to close out a covered short sale, the Underwriters will consider, among other things, the open market price of Units or Debentures compared to the price available under the Over-Allotment Option. The Underwriters may also sell Units or Debentures in excess of the Over-Allotment Option, creating a naked short position. The Underwriters must close out any naked short position by purchasing Units or Debentures in the open market. Any naked short sales will form part of the Underwriters' over-allocation position. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units or Debentures in the open market after pricing that could adversely affect investors who purchase in this Offering. As an additional means of facilitating this Offering, the Underwriters may bid for, and purchase, Units or Debentures in the open market to stabilize the price of the Units or Debentures. The Underwriters may also impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting commissions received by it because the representatives have repurchased Units or Debentures sold by or for the account of such Underwriter in stabilizing or short covering transactions. These activities may raise or maintain the market price of the Units or the Debentures above independent market levels or prevent or retard a decline in the market price of the Units or the Debentures. The Underwriters are not required to engage in these activities and may end any of these activities at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units or Debentures are listed, in the over-the-counter market, or otherwise.

Fees and Expenses

The following table shows the per Unit, per Debenture and total Underwriters' fee that we will pay to the Underwriters, assuming both no exercise and full exercise of the Over-Allotment Option:

	Over-Allotment Not Exercised	Over-Allotment Fully Exercised
Per Unit	$ 0.55	$ 0.55
Per Debenture	$ 42.50	$ 42.50
Total	$20,800,000	$23,920,000

It is estimated that the total expenses payable by the REIT in respect of the Offering, not including the underwriting commissions, and the Acquisition will be approximately $9.3 million.

Lock Up

We will agree that we will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any equity securities or any securities convertible into, or exchangeable or exercisable for equity securities, for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing, except (a) pursuant to the exercise of convertible or exchangeable securities, options or warrants to purchase units which are outstanding on the date of the Underwriting Agreement or have been issued with the consent of TD Securities Inc. and (b) units issued pursuant to the DRIP or Deferred Unit Incentive Plan.

LSF will agree that it will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any Exchangeable Notes or Units held by it for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing.

Dundee Corporation and DRC will agree that they will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any Units held by Dundee Corporation or DRC for a period commencing on the date of the Underwriting Agreement and ending on the date that is 180 days after the Closing. Furthermore, Dundee Corporation and DRC have agreed to maintain a minimum investment in the REIT as required under the Term Loan Credit Facility (see "Financing of the Initial Properties").

Book-Based System

Units may be represented in the form of one or more fully registered unit certificates held by, or on behalf of, CDS, as custodian of such certificates for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of Units may be effected through the book-based system administered by CDS. See "Declaration of Trust and Description of REIT Units – Book-Based System for Units; No Certificates for Special Trust Units".

Book-Entry Only System

Debentures will be issued in "book-entry only" form and must be purchased or transferred through a CDS depository service participant. We will cause a global certificate or certificates representing any Debentures to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Debentures or Debentureholders must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder or Debentureholders holds such Debentures. Each Person who acquires Debentures will receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through whom the Debentures are acquired and who is a CDS depository service participant in accordance with the practices and procedures of that Underwriter or registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS participants having interests in the Debentures. See "Description of the Debentures – Book-entry, Delivery and Form".

RELATIONSHIP BETWEEN THE REIT AND CERTAIN UNDERWRITERS

One of the Underwriters, Dundee Securities Ltd., is a related issuer of DRC. DRC is our promoter and will be our asset manager. In addition, Dundee Securities Ltd. is an indirect Subsidiary of Dundee Corporation. Dundee Corporation, with its Affiliates (including DRC), will hold approximately 26.8% of our Units (on a fully-exchanged basis) immediately following Closing. Accordingly, upon Closing, we will be a related issuer of Dundee Securities Ltd. for the purposes of applicable Canadian securities legislation. One of the Underwriters, Brookfield Financial Corp., is acting as financial advisor to Sub-Fund I, and, in such capacity, will receive a fee upon closing of the Acquisition in an amount equal to 0.75% of the total value of the Acquisition. Furthermore, Mr. Cruise, the President and Managing Partner of Brookfield Financial Corp. will be appointed to our Board of Trustees at Closing. Accordingly, we may be a connected issuer to Brookfield Financial Corp. for the purposes of applicable Canadian securities legislation. The terms of the Offering were negotiated at arm's length between TD Securities Inc. (of which we are neither a related issuer nor a connected issuer) and us. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Units and the Debentures and the due diligence process in respect of the Offering. Neither Dundee Securities Ltd. nor Brookfield Financial Corp. will receive any benefit in connection with the Offering other than as described in this prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP and special tax counsel to the REIT, and Torys LLP, counsel to the Underwriters (together, the "Counsel"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units or Debentures acquired under this Offering (collectively, the "Securities"). This summary is applicable to a holder who at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada, deals at arm's length and is not affiliated with the REIT and its Affiliates and holds the Securities as capital property. Generally, the Securities will be considered to be capital property to a holder provided that the holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Securities, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Securities as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a holder: (a) that is a "financial institution" for purposes of the mark-to-market rules; (b) that is a "specified financial institution"; (c) that has elected to determine its Canadian tax results in accordance with a "functional currency"; or (d) an interest in which is a "tax shelter investment", as each term is defined in the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Securities. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Securities under this Offering.

This summary is based upon the provisions of the Tax Act and the Regulations thereunder, a certificate as to certain factual matters from an executive officer of the REIT, and Counsel's understanding, based on publicly available published materials, of the administrative policies and assessing practices of the CRA, all in effect as of the date of this prospectus. This summary takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the minister prior to the date of this prospectus (the "Tax Proposals"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in CRA's administrative policies and assessing practices, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies and assessing practices.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in the Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Securities will vary depending on the holder's particular circumstances. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of the Securities. Consequently, a prospective holder should consult the holder's own tax advisor for advice with respect to the tax consequences of an investment in the Securities based on the prospective holder's particular circumstances.

Qualification as a Mutual Fund Trust

This summary is based on the assumptions that the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act, that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established and that the REIT will not be subject to the limit on non-resident ownership in the Tax Act because the REIT will not own any "taxable Canadian property" as defined in the Tax Act.

To qualify as a mutual fund trust the REIT must (a) be a "unit trust" for purposes of the Tax Act; (b) be resident in Canada; (c) restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable); (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the REIT; or (iii) any combination of the activities described in (i) or (ii); and

(d) comply with certain minimum requirements respecting the ownership and dispersal of Units (the "minimum distribution requirements"). An officer of the REIT has advised Counsel that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a mutual fund trust from the time of its establishment and that the REIT intends to continue to qualify as a "mutual fund trust" under the provisions of the Tax Act at all times thereafter. If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

SIFT Rules

The Tax Act provides for a special taxation regime (the "SIFT Rules") applicable to a trust or a partnership that is a SIFT and their investors. Under the SIFT Rules, a SIFT is not permitted to deduct any of its "non-portfolio earnings" (which includes its income from its "non-portfolio properties") for a taxation year that it pays or makes payable in the taxation year to its investors. Such undeductible income is subject to tax in the SIFT at rates that approximate the combined federal and provincial corporate income tax rates. Distributions to the SIFT's investors of such undeductible income are deemed to be taxable dividends from a taxable Canadian corporation, and investors are taxed accordingly.

The investment restrictions as set out in the Declaration of Trust and other governing documents of the Subsidiaries and the Dundee FCPs preclude the REIT or any of its Subsidiaries, including Dundee LP, from investing in any entity other than a "portfolio investment entity" or holding any "non-portfolio property", as defined in the Tax Act. As a result, the SIFT Rules should have no application to the REIT.

Taxation of the REIT

The taxation year of the REIT is the calendar year. In each taxation year, the REIT will generally be subject to tax under Part I of the Tax Act on its income for the year, including net taxable capital gains for that year and its allocated share of the income of Dundee LP for the fiscal period of Dundee LP ending on or before the year end of the REIT, less the portion thereof that it deducts in respect of the amounts paid or payable, or deemed to be paid or payable, to Unitholders in the year. 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 the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

The REIT will, generally, also not be subject to tax on any amounts received as distributions from Dundee LP. Generally, distributions to the REIT in excess of its allocated share of the income of Dundee LP for a fiscal year will result in a reduction of the adjusted cost base of the REIT's LP Units by the amount of such excess. If the REIT's adjusted cost base of its LP Units at the end of a taxation year of Dundee LP is a negative amount, the REIT will be deemed to realize a capital gain in such amount for that year, and the REIT's adjusted cost base of its LP Units at the beginning of the next taxation year of Dundee LP will then be nil.

For the purposes of the Tax Act, all income of the REIT and its Subsidiaries must be calculated in Canadian currency. Where the REIT (or any of its Subsidiaries) holds investments denominated in foreign currencies, gains or losses may be realized by the REIT as a consequence of fluctuations in the relative value of the Canadian and foreign currencies.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT to issue Units and Debentures. The portion of such issue expenses deductible by the REIT in a taxation year is 20% of such issue expenses, prorated where the REIT's taxation year is less than 365 days.

Having regard to the present intention of the Trustees, the REIT is required to make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to the REIT). Where income of the REIT in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the REIT payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the REIT in computing its taxable income.

An *in specie* redemption of any Subsidiary Securities and the transfer by the REIT of Subsidiary Securities to redeeming Unitholders will each be treated as a disposition by the REIT of such Subsidiary Securities for proceeds of

disposition equal to the fair market value thereof. The 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 Subsidiary Securities, as the case may be, and any reasonable costs of disposition.

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

The Tax Act contains rules (as proposed to be amended in the Tax Proposals released on August 27, 2010) which may require a taxpayer, including the REIT, to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". The offshore investment fund property rules may apply to the REIT in respect of the acquisition and holding of LP Units if, but only if:

(a) the value of such LP Units may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing ("Investment Assets"); and

(b) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the REIT acquiring, holding or having an interest in the LP Units was to derive a benefit from portfolio investments in any Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the REIT.

In making this determination, the Tax Act provides that regard must be had to all of the circumstances, including: (a) the nature, organization and operation of Dundee LP and the form of, and the terms and conditions governing the REIT's interest in, or connection with Dundee LP; (b) the extent to which any income, profit and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of Dundee LP is subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the REIT; and (c) the extent to which any income, profits and gains of Dundee LP for any fiscal period is distributed in that or the immediately following fiscal period.

If applicable, these rules would generally require the REIT to include in its income for each taxation year in which the REIT owns LP Units the amount, if any, by which (a) an imputed return from the taxation year computed on a monthly basis and calculated as the product obtained when the REIT's "designated cost" (within the meaning of the Tax Act) in such interests at the end of a month, is multiplied by $^{1}/_{12}{}^{th}$ of the applicable prescribed rate for the period that includes such month, exceeds (b) the REIT's income for the year (other than a capital gain) in respect of such interests determined without reference to these rules. Any amount required to be included in computing the REIT's income in respect of an offshore investment fund property would be added to the adjusted cost base to the REIT of property.

As noted above, the application of the offshore investment fund property rules will depend, in part, on the reasons for the REIT acquiring or holding the LP Units. An executive officer of the REIT has advised Counsel that the REIT has not and will not hold or have an interest in the LP Units where it may reasonably be considered, having regard to

all the circumstances, that one of the main reasons for the REIT holding or having the interest is to derive a benefit in the circumstances described above. Based on this determination, the offshore investment property rules should not apply to the REIT.

Taxation of Dundee LP

Dundee LP is not subject to tax under the Tax Act. Each Canadian partner of Dundee LP, including the REIT, is required to include (or, subject to the "at-risk rules" described below, entitled to deduct) in computing its income for a particular taxation year, the partner's share of the income (or loss) of Dundee LP for its fiscal year ended in or coincident 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 LP will be computed for each fiscal year as if it were a separate person resident in Canada. In computing the income (or loss) of Dundee LP, Dundee LP is entitled to deduct its reasonable administrative costs, interest and other expenses incurred by it to earn income, subject to the relevant provisions of the Tax Act. The income (including taxable capital gains) or loss of Dundee LP for a fiscal year will be allocated to the partners of Dundee LP, including the REIT, in the manner set out in the Dundee LP Agreement, subject to the detailed rules in the Tax Act in that regard.

If Dundee LP incurs a loss for tax purposes, the REIT will be entitled to deduct in computing its income its share of such loss to the extent that the REIT's investment is considered to be "at risk" within the meaning of the Tax Act. In general, the amount considered to be "at risk" for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year and minus the amount of any guarantee or indemnity provided to a limited partner against the loss of the limited partner's investment.

Each of the Subsidiaries other than Dundee GP, will be a "foreign affiliate" ("FA") and a "controlled foreign affiliate" ("CFA") of Dundee LP for purposes of the Tax Act. For the purposes of computing its income, Dundee LP has determined that the Dundee FCPs should be characterized as contractual co-ownership arrangements and not as corporations, trusts or partnerships. Therefore, for the purposes of the Tax Act, any income or loss of the Dundee FCPs will be computed at the level of the Dundee FCP Unitholders. Lorac is expected to be a FA but not a CFA of Dundee LP.

It is expected that the income earned by the CFAs will qualify as "foreign accrual property income" ("FAPI") for purposes of the Tax Act. Any FAPI earned in a particular taxation year of a CFA must be included in computing the income of Dundee LP for the fiscal year of Dundee LP in which the taxation year of the CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, whether or not Dundee LP actually receives a distribution of FAPI in that fiscal year. The adjusted cost base to Dundee LP of its shares in Dundee Gibraltar will be increased by the net amount so included in the income of Dundee LP. At such time as Dundee LP receives a dividend of amounts that were previously included in its income as FAPI, that dividend will effectively not be taxable to Dundee LP and there will be a corresponding reduction in the adjusted cost base to Dundee LP of its shares of Dundee Gibraltar. If a Dundee FCP Unitholder makes a distribution to Dundee Lux Holdco that is in excess of the FAPI of the Dundee FCP Unitholder, such excess amount will reduce Dundee Lux Holdco's adjusted cost base of its shares of the Dundee FCP Unitholder. In the event that the reduction results in a negative amount, Dundee Lux Holdco will be deemed to realize a capital gain equal to such amount, and one-half of the capital gain will be included in the FAPI of Dundee Lux Holdco. Further distributions from Dundee Lux Holdco to Dundee Gibraltar of the amount that gives rise to the capital gain will not result in any deemed capital gain in Dundee Gibraltar.

Counsel has been advised that it is expected that, in general, the FAPI (other than FAPI resulting from changes in foreign currency exchange rates) will be fully distributed by the CFAs at the time it is earned or received. Dundee LP's net FAPI, if any, will be allocated to the REIT, as income from property, in accordance with Dundee LP's net income sharing ratio.

Taxation of Holders of Debentures

Interest on Debentures

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the holder disposes

of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder (including an individual) will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the holder's income for a preceding taxation year.

A premium paid by the REIT to a holder of Debentures on a Put Date will generally be deemed to be interest received at that time by the holder if such premium is paid because of the repayment by the REIT of the Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the Put Date, of the interest that would have been paid or payable by the REIT on the Debentures for taxation years of the REIT ending after the Put Date.

Exercise of Conversion Privilege

A holder of a Debenture who pursuant to the conversion privilege converts the Debenture into Units will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired on the conversion (except to the extent such Units are received as interest or are deemed to be a payment of interest) and the amount of any cash received in lieu of fractional Units. The holder will realize a capital gain or capital loss computed as described below under "– Dispositions of Debentures". The cost to the holder of the Units so acquired will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purposes of calculating the adjusted cost base of such Units. The cost of Units acquired by reinvestment pursuant to the DRIP will be the amount of such reinvestment allocated to such Units.

Redemption or Repayment of Debentures

If the REIT redeems a Debenture prior to maturity (including a repayment of a fraction of a Debenture on a consolidation of Debentures) or it repays such a Debenture upon maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture (or fraction thereof) for proceeds of disposition equal to the amount received by the holder (other than the amount received on account of interest) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional units. The holder may realize a capital gain or capital loss computed as described below under "– Dispositions of Debentures". The cost to the holder of the Units so received will also be equal to their fair market value at the time of acquisition and must be averaged with the adjusted cost base of all other Units held as capital property by the holder for the purpose of calculating the adjusted cost base of such Units.

A consolidation of Debentures will not result in their disposition for purposes of the Tax Act except that the payment of cash on any such consolidation in respect of a fraction of a Debenture will represent proceeds of disposition of such fractional Debenture.

Dispositions of Debentures

A disposition or deemed disposition by a holder of a Debenture (including a fraction thereof) will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units which treatment is discussed below under "Certain Canadian Federal Income Tax Considerations – Taxation of Unitholders Dispositions of Units" and "Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Losses".

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income, except to the extent such amount was otherwise included in the holder's income, and will be excluded in computing the holder's proceeds of disposition of the Debenture. In the event that interest has accrued or has been deemed to accrue on a Debenture, a holder who disposes of a Debenture for consideration equal to its fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any such interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the holder in respect of the interest so accrued or deemed to accrue.

Taxation of Unitholders

Distributions on Units

A Unitholder is generally required to include in computing income for a particular taxation year the portion of the net income of the REIT for the taxation year of the REIT ending on or before the particular taxation year end of the Unitholder, including net taxable capital gains (determined for the purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year, whether or not those amounts are received in cash, additional Units or otherwise.

The non-taxable portion of any net capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year, including the further bonus distribution reinvested in Units under the DRIP, will not generally be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains) paid or payable to such Unitholder that was not included in computing the Unitholder's income and will realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount.

Provided that appropriate designations are made by the REIT, such portions of the net taxable capital gains and foreign source income as are paid or payable, or deemed to be paid or payable, by the REIT to the Unitholders will effectively retain their character and be treated and taxed as such in the hands of the Unitholders for purposes of the Tax Act, and Unitholders may be entitled to claim a foreign tax credit for foreign taxes paid by the REIT. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the REIT, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below.

Dispositions of Units

On the disposition or deemed disposition of a Unit by a Unitholder, 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 exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the REIT that is otherwise required to be included in the Unitholder's income (such as an amount designated as payable by the REIT to a redeeming Unitholder out of capital gains or income of the REIT as described above).

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

Where the Redemption Price for Units is paid and satisfied by way of a distribution *in specie* to the Unitholders of Subsidiary Securities, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the property so distributed less any income or capital gain realized by the REIT as a result of the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Unitholder. Where income or capital gain realized by the REIT as a result of the redemption of Units has been so designated by the REIT, the Unitholder will be required to include in computing its income for tax purposes the income and the taxable portion of the capital gain so designated. The cost of any Subsidiary Security distributed by the REIT to a Unitholder upon redemption of Units will generally be equal to the fair market value of such Subsidiary Security at the time of distribution.

Taxation of Capital Gains and Losses

One-half of any capital gains realized by a holder of a Debenture or a Unit and the amount of any net taxable capital gains designated by the REIT in respect of a Unitholder will generally be included in the holder's income as a taxable capital gain. One-half of any capital loss realized by holder on the disposition, or deemed disposition, of a Debenture or a Unit, may generally be deducted by such holder only from taxable capital gains of the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years, to the extent and under the circumstances described in the Tax Act.

Where a holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the holder's capital loss from the disposition will generally be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the holder of Units, to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Refundable Tax

A holder of Debentures or Units that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on investment income, including amounts in respect of interest on Debentures and taxable capital gains from designations by the REIT on income distributed by the REIT to Unitholders or from dispositions or deemed dispositions of Debentures or Units by the holder.

Alternative Minimum Tax

A holder who is an individual or a trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Debentures or Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to a holder and that is designated as net taxable capital gains.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, and subject to the qualifications and assumptions given under the heading "Certain Canadian Federal Income Tax Considerations" provided that:

(a) in the case of the Debentures, (i) the Debentures are listed on a designated stock exchange, or (ii) the REIT qualifies as a "mutual fund trust" for purposes of the Tax Act and the Units are listed on a designated stock exchange; and

(b) in the case of the Units, (i) the REIT qualifies as a "mutual fund trust" for purposes of the Tax Act or (ii) the Units are listed on a designated stock exchange,

the Debentures will, on the date of the closing of the Offering, be qualified investments for Plans, other than a deferred profit sharing plan to which payments are made by the REIT or a person or partnership with which the REIT does not deal at arm's length for purposes of the Tax Act, and the Units will, on the date the Units are issued, be qualified investments for trusts governed by Plans. Subsidiary Securities received as a result of a redemption *in specie* of Units may not be qualified investments for Plans, and this could give rise to adverse consequences to such plan or the annuitant or beneficiary under that plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

A Debenture or Unit will not be a “prohibited investment” for a trust governed by a tax-free savings account (“TFSA”) provided the holder of the TFSA deals at arm’s length with the REIT for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the REIT or in any person or partnership with which the REIT does not deal at arm’s length for purposes of the Tax Act.

The Notice of Ways and Means Motion dated June 6, 2011 contains proposals that extend the “prohibited investment” rules and the application of a penalty tax to the annuitant of a registered retirement savings plan (“RRSP”) or a registered retirement income fund (“RRIF”).

Individuals who hold or intend to hold Debentures or Units in a TFSA, RRSP or RRIF should consult their own tax advisers regarding the potential application of the prohibited investment rules to their particular circumstances.

CERTAIN NON-CANADIAN INCOME TAX CONSIDERATIONS

The following summary by management discusses certain material German, Luxembourg, Gibraltar and Cayman income and withholding tax considerations applicable to Dundee LP, Dundee Gibraltar, Dundee Lux Holdco, the Dundee FCP Unitholders and the Dundee FCPs relating to our investment in the Initial Properties. It is not exhaustive of all possible tax considerations relevant to those jurisdictions. Moreover, it is based on the current tax legislation, our understanding of the current interpretation of the legislation in each country, and each country's administrative policies and assessing practices. There can be no assurances that the relevant tax legislation, the interpretations thereof, the administrative policies or assessing practices will not change (including with retroactive effect). Further, the summary does not address any tax considerations applicable to a Unitholder or Debentureholder. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective holder of Units or Debentures. Consequently, the prospective holder should consult the holder's own tax advisor regarding an investment in Units or Debentures.

Certain Material German Income and Withholding Tax Considerations

Upon completion of the Acquisition, we will indirectly hold all of the shares in each respective Dundee FCP Unitholder, which will be the sole unitholder of the respective Dundee FCP. The Dundee FCP Unitholders should be considered to be resident in Luxembourg for German tax purposes and should be non-residents of Germany for such purposes. For German income tax purposes, each of the Dundee FCPs would likely be treated as being transparent and, therefore, the Dundee FCP Unitholders would be considered for German tax purposes to be the indirect holders of the ownership interests in the Initial Properties as unitholders of the respective Dundee FCP.

The income tax treatment of non-German residents, such as the Dundee FCP Unitholders, that hold their indirect ownership interests in German rental properties through FCPs, such as the Dundee FCPs, is not clear and it is not possible to determine with certainty whether the Dundee FCP Unitholders will be taxable in Germany on their net rental income and capital gains from the sale of properties. This interpretation of the German tax law will, in the first place, be made by the local German tax office in the municipality having jurisdiction over each Dundee FCP Unitholder based on where the most valuable of the respective Initial Properties in which the respective Dundee FCP Unitholder having an indirect ownership interest is located (referred to herein as the competent German tax office).

Shortly after the completion of the Acquisition, Lorac, on behalf of each of the Dundee FCPs and the Dundee FCP Unitholders will formally notify the competent German tax offices of all relevant facts and circumstances in relation to the Dundee FCPs and the Dundee FCP Unitholders (including their identity). Lorac will inform the competent German tax offices that, in line with the practice so far, it will not file tax returns with the German tax administration except for the explicit demand by the competent German tax office to file tax returns. Lorac will answer all further requests by the competent German tax office for other material documents, translations, etc. Except for the explicit demand by the competent German tax office to file tax returns, the Dundee FCP Unitholders and the Dundee FCPs will not, at that point in time, file German tax returns or pay German tax on their net rental income or capital gains from the sale of properties. It is possible that none or not all the tax offices will react to Lorac's notice. Such reactions may or may not provide confirmation of the earlier treatment. Any such decision may be challenged by us under certain circumstances. It is also possible that in the future, the tax offices could withdraw a confirmation, if any, with respect to all taxation periods or only future periods, either because of a revised interpretation of the German tax law, or a change in the law.

In light of the uncertainty described above, we have structured our affairs assuming that the Dundee FCP Unitholders will be subject to corporate income tax in Germany on their net rental income and capital gains from the sale of properties and we have prepared the pro forma financial statements and the financial forecast appearing elsewhere in this prospectus, on that basis (though no sales of properties are contemplated during the forecast period). As is reflected in the financial forecast, taking into account the deductions available in determining taxable income from rental operations, including tax depreciation and reasonable interest expense, which are described in more detail below and in the financial forecast, management does not expect that the amount of tax, if any, that is ultimately determined to be payable in Germany by the Dundee FCP Unitholders on their net rental income will be material. Please see "Risk Factors – German taxes may affect our cash flows, financial condition and distributions to Unitholders". The German income tax consequences would be the same, if instead of the Dundee FCP Unitholders being found to be taxable, the Dundee FCPs were ultimately determined to be the taxpayers for German tax purposes.

If the Dundee FCP Unitholders were subject to German taxation:

- The current rate of corporate income tax payable would be 15.825%, including a 5.5% solidarity surcharge.
- To determine taxable income for corporate income tax purposes, a taxpayer may deduct certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm's length terms.
- Buildings can generally be depreciated on a straight-line basis at a rate of either 2% or 3%.
- The deduction of interest expense, which must reflect arm's length terms, is generally restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expense incurred. In principle, interest expense may only be deducted up to a maximum of 30% of the taxable EBITDA (earnings before interest, tax, depreciation and amortization as adjusted under the German tax law). However, an exception is available where annual interest expense is less than €3 million for each taxpayer. For an application of this threshold, each Dundee FCP Unitholder is a separate taxpayer.
- Broadly, for corporate income tax purposes, losses incurred by a taxpayer may be carried back and offset against taxable income of the preceding year (with a current loss carry back limit €511,500). Alternatively, losses may be carried forward indefinitely; however, the use of losses in any future year is restricted insofar as they may be used to offset profits of a year without restriction up to an amount of €1 million and against only 60% of the taxable income in excess of €1 million.
- In addition to corporate income tax, every taxpayer that carries on business in Germany through a permanent establishment located in Germany, as defined under German tax law, is subject to municipal trade tax. The character of the trade tax is that of an additional corporate income tax and the rates vary between 7.0% and 17.5%, depending on the municipality in which the business operations are carried on. While the Dundee FCP Unitholders will derive rental income that is deemed to be business income for German tax purposes, they should not be subject to German trade tax on their rental income, because they should not have permanent establishments in Germany. We have prepared the pro forma financial statements and the Financial Forecast appearing elsewhere in this prospectus on that basis. Please see "Risk Factors – German taxes may affect our cash flows, financial condition and distributions to Unitholders".

Under German law, no German withholding tax should be levied on payments of interest or dividends by the Dundee FCP Unitholders to Dundee Lux Holdco.

Certain Material Luxembourg Income and Withholding Tax Considerations

This summary covers the material Luxembourg corporate income tax, municipal business tax, net wealth tax and withholding tax, considerations with respect to the Dundee FCPs, Dundee FCP Unitholders and Dundee Lux Holdco. The tax treatment of the material Luxembourg tax aspects described hereunder has been confirmed by the Luxembourg Tax Authorities in the Advance Tax Agreement and the Advance Pricing Agreement dated May 18, 2011.

Dundee FCPs

Income tax and net wealth tax

The Dundee FCPs are exempt from corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (impôt commercial communal) and net wealth tax (*impôt sur la fortune*) in Luxembourg.

Tax transparency

From a Luxembourg tax perspective a fund vehicle established as a *fonds commun de placement* is considered as tax transparent. This position has been confirmed by the legislator (cf. parliamentary documents № 2379 p. 3, № 3431 p. 97 and № 5504 p. 8) as well as administrative practice in Luxembourg. The tax transparency of the Dundee FCPs is covered in the Advance Tax Agreement dated May 18, 2011.

The Dundee FCP Unitholders will, therefore, be considered as holding directly the assets and undertaking directly the liabilities of the Dundee FCPs for Luxembourg tax purposes. For Luxembourg corporate and municipal business tax purposes, the net profit received by the Dundee FCPs will be allocated directly to the Dundee FCP Unitholders.

Withholding tax

No Luxembourg withholding tax should be levied on the distributions made by the Dundee FCPs to the Dundee FCP Unitholders.

Furthermore, no withholding tax should be levied on interest payments from Dundee FCPs to Dundee Lux Holdco under Dundee Lux Holdco loans.

Dundee FCP Unitholders

The Dundee FCP Unitholders are established as fully taxable Luxembourg companies, subject to annual corporate income, municipal business and net wealth taxes.

Consequences of tax transparency of Dundee FCPs

Income tax

As the Dundee FCPs will be considered as tax transparent for Luxembourg corporate income and municipal business tax purposes, the Dundee FCP Unitholders will be deemed for the purposes of corporate income and municipal business tax to hold directly all assets and liabilities held by each respective Dundee FCP.

Net rental income earned by the Dundee FCPs, any net capital gain realized by the Dundee FCPs from the disposal of the Initial Properties, as well as redemption of units or liquidation proceeds received by Dundee FCP Unitholders from the Dundee FCPs should be exempt from taxation in Luxembourg based on the provisions of the Double Tax Treaty between Luxembourg and Germany.

Each Dundee FCP Unitholder of the respective Dundee FCP should be subject to the Luxembourg minimum corporate income tax of €1,575.

If the Dundee FCP Unitholders earn (directly or through the Dundee FCPs by tax transparency) income other than the income related to the Initial Properties, such income would be taxed in the Dundee FCP Unitholder at the global rate of 28.80%.

Net wealth tax

The Initial Properties will be exempt from net wealth tax in Luxembourg based on the Double Tax Treaty between Germany and Luxembourg. Accordingly, liabilities undertaken by Dundee FCP Unitholders in the tax balance sheet will not be deductible for net wealth tax purposes.

Provided that the Dundee FCP Unitholders do not have any other assets other than the Initial Properties, net operating assets of the Dundee FCP Unitholders (based on their tax balance sheet) subject to the net wealth tax should be minimal. In this case, the net wealth tax liability of each Dundee FCP Unitholder should be equal to €25.

Withholding tax

No withholding tax should be due in Luxembourg on dividend distributions from Dundee FCP Unitholders to Dundee Lux Holdco under the Luxembourg participation exemption regime provided that at the time the income is made available Dundee Lux Holdco has held or commits itself to hold for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the Dundee FCP Unitholders or a participation of an acquisition price of at least €1.2 million.

Dundee Lux Holdco

Dundee Lux Holdco is established as a fully taxable holding company, subject to annual corporate income, municipal business and net wealth taxes.

Dividend income and capital gains

Dundee Lux Holdco should benefit from the Luxembourg participation exemption on any dividend income received and capital gains realized from Dundee FCP Unitholders, Dundee Lux Manager, Dundee Fixtures and Lorac. Such dividends and capital gains should be exempt from corporate income and municipal business tax provided that conditions relating to a shareholding threshold (10% shareholding or a direct participation of an acquisition price of at least €1.2 million for dividends and €6 million for capital gains) and a 12 month hold period are met.

Net wealth tax

Dundee Lux Holdco is subject to Luxembourg net wealth tax at the rate of 0.5% applied on net assets as determined for net wealth tax purposes. The minimum net wealth tax for a *société à responsabilité limitée* is currently €25.

Withholding tax

Withholding tax should not apply on dividend distributions from Dundee Lux Holdco to Dundee Gibraltar provided that at the time the dividend is paid Dundee Gibraltar has held or commits itself to hold for an uninterrupted period of at least 12 months a direct participation of at least 10% of the share capital of the Dundee Lux Holdco acquired for at least €1.2 million.

Furthermore, no withholding tax should apply on interest payments from Dundee Lux Holdco under the Dundee LP loan.

Based on current administrative practice, the Luxembourg tax authorities do not consider regular Luxembourg holding companies to be paying agent within the meaning of the EU Savings Directive, unless it makes interest or similar payments on the securities offered to the public and the beneficiaries are unknown. Therefore, interest payments on the loan from Dundee LP should not fall within the scope of the EU Savings Directive.

Financing activities of Dundee Lux Holdco

Dundee Lux Holdco will earn a gross arm's length remuneration for its intra-group lending activity financed by borrowings. This arm's length margin will be computed on the total average amount of receivables on the Dundee FCPs' loans, financed by borrowings under the Dundee LP loan and Exchangeable Notes, Series A, respectively. This margin will be taxed at 28.80% being the standard corporate tax rate for the year 2011 (for Luxembourg city).

Certain Material Gibraltar Income and Withholding Tax Considerations

Dundee Gibraltar will be considered resident in and subject to tax in Gibraltar. Dividends received from Dundee Lux Holdco will be exempt from tax in Gibraltar.

Distributions from Dundee Gibraltar to Dundee LP, whether as dividends, returns of capital or share redemptions, will not give rise to any withholding tax.

Any gain realized by Dundee Gibraltar on a disposition of the shares of Dundee Lux Holdco should be considered capital in nature. Such gain would not give rise to tax in Gibraltar as capital gains are not taxed.

Any gain realized by Dundee LP on the disposition of the shares of Dundee Gibraltar should be considered capital in nature and thus not taxed in Gibraltar.

If Dundee Gibraltar borrows from or lends to the REIT or a Subsidiary of the REIT or the Dundee FCPs, any foreign exchange gain or loss realized should be considered capital in nature and thus not taxed in Gibraltar.

Certain Material Cayman Income and Withholding Tax Considerations

There will be no tax imposed by the government of the Cayman Islands or by any department or taxing authority thereof (a "Cayman Taxing Authority") in respect of any income, gain, or distribution received by Dundee LP from Dundee Gibraltar or Dundee Lux Holdco.

There will be no withholding tax imposed by any Cayman Taxing Authority on any distribution from Dundee LP to the REIT.

RISK FACTORS

Investing in our securities involves a high degree of risk. In addition to the other information contained in this prospectus, you should carefully consider the following risk factors before purchasing Units or Debentures. The occurrence of any of the following risks could materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and cash interest payments on the Debentures. In that event, the value of the Units or the Debentures could decline and investors may lose all or part of their investment. Although we believe that the risk factors described below are the most material risks that we face, they are not the only ones. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and cash interest payments on the Debentures and negatively affect the value of the Units or the Debentures.

Risks relating to the REIT and its business

Risks inherent in the real estate industry may adversely affect our financial performance

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions, (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The Initial Properties generate income through rent payments made by our tenants. 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. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. 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 the tenant and, thereby, cause a reduction in the cash flows available to us.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our 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 we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions and interest payments.

Concentration of tenants may adversely affect our financial performance

We will derive a significant portion of our GRI from Deutsche Post. Consequently, our revenues will be dependent on the ability of Deutsche Post to meet its rent obligations and our ability to collect rent from Deutsche Post. In the event that Deutsche Post defaults on or ceases to satisfy its payment obligations under the DP Leases, our cash flows, operating results, financial condition, ability to make distributions on the Units or cash interest payments on the Debentures could be would be materially and adversely affected.

A significant number of DP Leases expire in 2018

The majority of the DP Leases expire in 2018. Upon the expiry of the DP Leases, there can be no assurance that they will be renewed or that Deutsche Post will be replaced. If Deutsche Post does not renew the DP Leases in respect of a significant number of the Initial Properties, our cash flows, operating results, financial condition and our ability to make distributions on the Units or cash interest payments on the Debentures could be materially and adversely affected.

Early termination of leases may adversely affect our financial performance

Deutsche Post has early termination rights entitling it to terminate certain leases prior to their expiry upon 12 months' prior notice. As of the date of this prospectus, these termination rights pertain to approximately 43% of Deutsche Post's GLA and approximately 43% of Deutsche Post's Reference Rent. If Deutsche Post exercises its early termination rights in respect of a significant amount of GLA of the Initial Properties, our cash flows, operating results and financial condition and our ability to make distributions on the Units or cash interest payments on the Debentures could be materially and adversely affected.

Environmental contamination on properties may expose us to liability and adversely affect our financial performance

The Initial Properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorphenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

We bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we would have to undertake could negatively affect us and could involve considerable additional costs that we may have to bear. We are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and our ability to lease or sell such a property. In addition, we were advised by Sub-Fund I that at the time that Sub-Fund I purchased the Caroline Portfolio from Deutsche Post, it agreed to (a) waive its rights against Deutsche Post and its affiliates for any environmental claims relating to the Caroline Portfolio (other than claims above €20.6 million and provided that the use of the property was not subsequently changed); and (b) indemnify Deutsche Post against any third party claims made against Deutsche Post arising from environmental claims.

We will be subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*). According to this Act, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if our officers or employees infringe or have infringed environmental protection laws, we could be exposed to civil or criminal damages. We may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units or cash interest payments on the Debentures.

In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include, where the Trustees so determine, the requirement to conduct the local equivalent of a Phase I environmental audit before acquiring any real property or any interest therein. Where circumstances so warrant, designated substance surveys and/or local equivalent of Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, we remediate such situations. In connection with our acquisition of the Initial Properties, we have negotiated limited indemnities from Sub-Fund I and some exclusion rights relating to certain properties which we determined during our due diligence of the Initial Properties to require environmental remediation. We are not aware of any further environmental conditions with respect to any of the other Initial Properties that we believe would involve material expenditure by us.

At Closing, we will have insurance in place to protect against certain environmental liabilities in respect of certain of the Initial Properties, with limits which are customary and available for portfolios similar to the Initial Properties. In addition, under German Law, the tenants must conduct their business in their leased premises in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.

We will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Several of the Initial Properties had or currently have fuel storage systems

Several of the Initial Properties had or currently have fuel storage systems with bulk quantities of petrol or diesel fuel located on-site. Of the 292 Initial Properties, approximately 78 sites have underground storage tanks, formerly used for fuelling vehicles. These have since been decommissioned in accordance with local regulations. It is likely that the decommissioned tanks will pose no risk from an on-going operations perspective as they are no longer in use, but inherited contamination may present a risk at a future date due to historical leaks or incomplete investigation. Given the decommissioning undertaken at these facilities, this appears to be an acceptable risk. Further, at least eight sites currently have operating storage tank systems for the purpose of storing fuel oil used to heat the related facilities. All tanks currently in use have been recently inspected, and have the appropriate certifications for operation. There may be additional unknown historical tanks for which no records exist.

Our co-ownership of Lorac with a third party may limit our ability to manage the Dundee FCPs

Lorac is the manager of Sub-Fund I and each of the Dundee FCPs. Under German law, legal title to the Initial Properties or the Caroline Properties cannot be registered in the name of any of the Dundee FCPs or Sub-Fund I, as applicable. Therefore, Lorac, as manager of the Dundee FCPs and Sub-Fund I will continue to be the registered owner on title to the Initial Properties and the remaining Caroline Properties.

On Closing, we will acquire a 50% equity interest in Lorac. We and Caroline Holdings, the other owner of the Lorac shares, will enter into a shareholders' agreement which will provide us with the right to appoint three of the six directors of Lorac. The directors of Lorac will adopt governance rules pursuant to which, subject to applicable law, our appointed directors will generally have responsibility for matters relating to the Initial Properties and the other three directors, who will be nominated by Caroline Holdings, will generally have responsibility for matters affecting the Caroline Properties. Pursuant to the governance rules and the Lorac Shareholders' Agreement, certain matters such as filing tax returns and shared employee matters will require the approval of a majority of the directors. Each of the directors has a fiduciary duty to act in the best interests of Lorac and Lorac has a duty to manage the Dundee FCPs and Sub-Fund I in the best interests of the respective unitholders. However, it is possible that we will need the approval of a majority of the directors of Lorac with respect to certain matters involving the Initial Properties and there can be no assurance that such matters will be approved at all or on the terms requested. Any matter with respect to which our appointed directors and those appointed by Caroline Holdings cannot agree will be submitted to the Lorac Shareholders. However, since we have only 50% of the voting shares of Lorac, there can be no assurance that any such

matter will be approved in the manner in which we would hope. Such dispute could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units or cash interest payments on the Debentures.

As manager of Sub-Fund I since 2008, Lorac has and will continue to incur liabilities as a result of managing Sub-Fund I and its assets. To the extent that Sub-Fund I is unable to satisfy such liabilities, a third party could seek recourse against Lorac. If Lorac is unable to satisfy such liabilities, Lorac could be required to seek protection from creditors under applicable bankruptcy or insolvency legislation. Taking such steps could result in Lorac being replaced as the manager of the Dundee FCPs with the result that legal title to the Initial Properties would be required to be transferred to a new manager. This would result in the payment of RETT in Germany. The amount of such taxes could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units or cash interest payments on the Debentures. We have negotiated certain limited indemnities from Sub-Fund I in connection with any prior existing liabilities of Sub-Fund I and those which may arise as a result of actions or omissions of Sub-Fund I after Closing (such as for past tax liabilities, if any). In addition to the foregoing, we have been advised by our Luxembourg counsel that creditors of Sub-Fund I could only seek recourse against the assets of Sub-Fund I and could not seek recourse against the assets of the Dundee FCPs regardless of the fact that Lorac may have entered into the contract on behalf of Sub-Fund I or the Dundee FCPs creating such right to a claim.

We may incur significant capital expenditures and other fixed costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property exceed our estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if we are not permitted to raise the rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of, such property could be reduced.

Any failure by us to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units or cash interest payments on the Debentures.

Financing risks, leverage and restrictive covenants may limit our ability for growth

The real estate industry is capital intensive. We will require access to capital to maintain our properties, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Our failure to access required capital could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units or cash interest payments on the Debentures and our ability to implement our growth strategy.

Our access to third-party financing will be subject to a number of factors, including:

- general market conditions;
- the market's perception of our growth potential;
- our current and expected future earnings;

- our cash flow and cash distributions and cash interest payments; and
- the market price of our Units.

In addition to the Debentures, on Closing, we expect to borrow from a syndicate of banks the amount of approximately €328.5 million pursuant to the Term Loan Credit Facility. We will be subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest and that on maturities of the Debentures and the Term Loan Credit Facility we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing Debentures or Term Loan Credit Facility.

On Closing, all of the debt under the Term Loan Credit Facility will mature in five years or seven years if our extension right is exercised. In addition, we are required to repay €100 million plus an applicable prepayment premium of 15% through dispositions or refinancings of a portion of the Initial Properties within the first two years following Closing, failing which we will be required to pay additional interest of 1% on the portion of this €100 million amount which is not repaid by the second anniversary of the Closing. If we are unable to refinance the Term Loan Credit Facility at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to Unitholders. Such losses could have a material adverse effect on our investments, financial condition, results of operations or cash flows as well as on our ability to pay distributions on the Units and cash interest payments on the Debentures. Similar risks of refinancing will exist on the maturity of the Debentures.

Furthermore, if a property is mortgaged to secure the payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all of which could result in lost revenues and asset value to us.

The degree to which we are leveraged could have important consequences to Unitholders and Debentureholders. Such factors include:

- a significant portion of our cash flow may be dedicated to the payment of the principal of, and interest on, our indebtedness, thereby reducing the amount of funds available for the payment of cash distributions to Unitholders and cash interest payments on our Debentures;
- certain of our borrowings will be at variable rates of interest which exposes us to the risk of increased interest rates;
- a significant portion of cash flows could be used to service indebtedness;
- a high level of debt would increase vulnerability to general adverse economic and industry conditions;
- the covenants contained in the Term Loan Credit Facility and our other indebtedness will limit our ability to borrow additional funds, dispose of assets, encumber our assets, pay distributions and cash interest payments on our Debentures and make potential investments;
- a high level of debt may place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- our debt covenants may also affect flexibility in planning for, and reacting to, changes in the economy and in the industry;
- a high level of debt may make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then-outstanding borrowings; and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy our debt obligations depends on future performance, which is subject to the financial performance of our properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our indebtedness, and our future working capital, borrowings or equity financing may not be available to pay or refinance such debt.

The Term Loan Credit Facility requires (and any other indebtedness we may incur may require) that all of the Initial Properties be secured by a first ranking mortgage registered and be cross collateralized so that a default under the Term Loan Credit Facility will permit the lenders to exercise their remedies upon all of the Initial Properties regardless of which Dundee FCP may have been in default. In addition, the Term Loan Credit Facility contains (and any other indebtedness we may incur may contain) restrictive covenants that may limit the discretion of our management with respect to certain business matters. These covenants place restrictions upon, among other things, our ability to (a) incur additional indebtedness, (b) create liens or other encumbrances on our assets, (c) pay distributions or make other payments including cash interest payments on our Debentures, (d) make investments, loans or provide guarantees, (e) sell or otherwise dispose of assets, and (f) merge or consolidate with another entity. The Term Loan Credit Facility also contains, and any other indebtedness we may incur may contain, financial covenants that require us to maintain certain financial ratios and satisfy certain financial condition tests. Under the Term Loan Credit Facility, our failure to maintain certain financial ratios will trigger a cash trap mechanism in which case the lenders will be entitled to retain 50% of our excess cash flow until we restore such financial ratios for two consecutive quarters. In addition, our failure to comply with such obligations could result in an event of default which could entitle the lender to realize on the security interest granted to it over the Initial Properties or our other assets or limit or suspend our ability to make distributions and cash interest payments on our Debentures and, if not cured or waived, could result in acceleration of the relevant indebtedness. If any indebtedness was to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. See "Financing of the Initial Properties".

Changes in government regulations may affect our investment in the Initial Properties

We are subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we will operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect the rights and title to the properties. All of the Initial Properties are located in Germany. Although the government in Germany is stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which we are subject or the effect of any such change on our investments.

An investment in us is subject to certain tax considerations

We intend to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. If we cease to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations applicable to us, including the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations", would be materially and adversely different in certain respects, including that the Units may cease to be qualified investments for Plans. Some of the other significant consequences of losing mutual fund trust status are as follows:

- We would be subject to minimum tax.
- We would cease to be eligible for the capital gains refund mechanism available under the Tax Act.

The SIFT Rules will apply to a trust that is a SIFT or a partnership that is a SIFT. The REIT and Dundee LP will not be SIFTs for the purposes of these rules because the REIT and each of our Subsidiaries, including Dundee LP, will not invest in any entity other than a "portfolio investment entity" and will not hold any "non-portfolio property" (each as defined in the Tax Act), based on our investment restrictions. If the SIFT Rules were to apply to the REIT or Dundee LP, they would have an adverse impact on us and on the distributions received by the Unitholders.

The scope of the October 2003 Proposals limiting the deductibility of losses is uncertain. There can be no assurance that the October 2003 Proposals or an alternative proposal will not have an adverse effect on us.

Having regard to the present intention of the Trustees, we are required to distribute a sufficient amount of our net income and net realized capital gains each year to Unitholders in cash, or otherwise in order to eliminate our liability

for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains in a taxation year exceeds the AFFO in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, in circumstances where they do not directly receive a cash distribution.

Although we are of the view that all expenses to be claimed by us and our Subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, our taxable income, and indirectly the taxable income of Unitholders, will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our properties for purposes of the Tax Act.

We will endeavour to ensure that the Units and the Debentures continue to be qualified investments for Plans; however, there can be no assurance that this will be so. In addition, Subsidiary Securities received on a redemption *in specie* of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Tax laws or other law or government incentive programs or regulations may change

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we will invest will affect the level of distributions made to us and accordingly to Unitholders. No assurance can be given as to the level of taxation suffered by us, our Subsidiaries or the Dundee FCPs. Initially, our investments, and ultimately our revenues, will be in investments located in Germany, which will subject us to legal and political risks specific to Germany, including but not limited to:

- the enactment of laws prohibiting or restricting the foreign ownership of property;
- laws restricting us from removing profits earned from activities in Germany to Luxembourg, including the payment of distributions and nationalisation of assets;
- change in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- changes in real estate and other tax rates and other operating expenses in Germany; and
- more stringent environmental laws or changes in such laws.

Any of these factors could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units or cash interest payments on the Debentures and our ability to implement our growth strategy

Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us. Despite a general principle prohibiting retroactive changes, amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on our taxation. Furthermore, court decisions are often overruled by the tax authorities by way of issuing non-application decrees. As a result, major uncertainties exist with regard to the taxation rules applicable to us and our Subsidiaries. Deviating views adopted by the tax authorities or the tax courts might lead to a higher tax burden for us. Additionally, if adverse changes in the tax framework should occur, or if we are subject to tax audits or reassessments that result in the imposition of taxes individually or together, this could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units or cash interest payments on the Debentures and our ability to implement our growth strategy.

Tax considerations relating to FAPI may affect our financial condition

FAPI of a foreign affiliate and controlled foreign affiliate is generally computed in Canadian currency and in accordance with Part I of the Tax Act as though the affiliate were resident in Canada, subject to the detailed rules contained in the Tax Act. The calculation of FAPI of a controlled foreign affiliate is complex. While the REIT expects that the distribution policies of the CFAs will minimize the net FAPI income at the Dundee LP level, no assurances can be made in this regard. This may result in an increase in the taxable income of the REIT and the Unitholders and a decrease in the tax deferred portion of distributions and in some cases, including cases in which foreign exchange gains are realized on the repayment of debts, taxable income in excess of our cash distributions to Unitholders.

German taxes may affect our cash flows, financial condition and distributions to Unitholders

As described under the heading "Certain Non-Canadian Income Tax Considerations – Certain Material German Income and Withholding Tax Considerations", it is possible that the Dundee FCP Unitholders or the Dundee FCPs could be subject to German corporate income tax on their net rental income and capital gains from the sale of properties. In preparing the pro forma financial statements and the financial forecast, we have assumed that the Dundee FCP Unitholders will be subject to German corporate income tax and, on an ongoing basis, we intend to manage our tax affairs on that assumption, with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany. However, there is no certainty that the Dundee FCP Unitholders or the Dundee FCPs will not pay German corporate income tax. In addition, German real estate transfer tax ("RETT") is triggered among other things when there is a transfer of legal title of properties from one legal person to another. In the case of the reallocation of the Initial Properties described under the heading "Our Structure and Formation", legal title is not being transferred and, consequently, no RETT should be payable in connection therewith. However, the Reallocation Agreement provides that if, unexpectedly, RETT does become payable as a result of the reallocation of the Initial Properties, the RETT will be shared equally between us and Sub-Fund I. Depending on the location of each of the Initial Properties, the rate of RETT that would be payable in such circumstances in connection with the Initial Properties would range between 3.5% to 5.0% of the Reallocation Consideration allocated to each property. The payment of corporate income tax or RETT could materially and adversely affect our cash flows, financial condition and distributions to Unitholders and cash interest payments on the Debentures.

Further, we have structured our affairs to ensure that neither the Dundee FCP Unitholders nor the Dundee FCPs have permanent establishments in Germany, which is relevant for determining whether they would also be liable to municipal trade tax. If it is determined that the Dundee FCP Unitholders or the Dundee FCPs do have permanent establishments in one or more German municipalities, the overall rate of German income tax applicable to taxable income would increase from 15.825% to a rate of between approximately 23% and 33%, depending on the German municipalities in which such permanent establishments would be located, which could materially and adversely affect our cash flows, financial condition and distributions to Unitholders and cash interest payments on the Debentures.

Failure to receive deductions for interest payments may adversely affect our cash flows, results of operations and financial condition

In the course of the Acquisition, we will enter into financing transactions with third parties and affiliates, including financing transactions for the acquisition of the Initial Properties. These debt financing agreements will require us to pay principal and interest.

There are several rules in German tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of shareholder or affiliate financings and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on our cash flows, financial condition and results of operations and ability to pay distributions on the Units and cash interest payments on the Debentures.

Changes in currency exchange rates could adversely affect our business

Substantially all of our investments and operations will be conducted in currencies other than Canadian dollars; however, we will pay distributions to Unitholders and interest payments on our Debentures in Canadian dollars. We will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through Dundee LP in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on our financial results, which will be denominated and reported in Canadian dollars, and on our ability to pay cash distributions to Unitholders and cash interest payments on our Debentures. We intend to implement active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders and interest payments on our Debentures if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our financial results, and our ability to pay distributions to Unitholders and cash interest payments on our Debentures, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on our ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

If we choose to enter into hedging transactions with the lenders under the Term Loan Credit Facility (as contemplated thereunder), our obligations under such hedge contracts will be secured by all of the Initial Properties. In the future, our obligations under hedging arrangements may also be secured by all or a portion of our assets, the value of which must cover the fair value of the transactions outstanding under the facility by some multiple. If the collateral value were to fall below the coverage designated, the lenders under the Term Loan Credit Facility would be entitled to exercise default remedies under the Term Loan Credit Facility including remedies against the Initial Properties. In other cases, if the collateral value were to fall below the coverage designated, or we may be required to post cash or letters of credit with the counterparties if we did not have sufficient unencumbered assets available to cover the shortfall which could materially adversely affect our ability to pay distributions on the Units or cash interest payments on our Debentures.

Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments

We require extensive financial resources to complete the Acquisition and to implement our future investment concepts and growth strategy. We are dependent on a substantial portion of these resources to finance the Acquisition and the potential purchase of future real estate properties. When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms for interest payments that will not impair our desired profit and on amortization schedules and that do not restrict our ability to pay distributions and interest payments on our Debentures. In addition to the 20% variable rate portion of the Term Loan Credit Facility (10% of which is to be capped at 5% (excluding Margin)), we will enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the current historical low level of interest rates there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us and our Subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units or the Debentures. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by us to Unitholders, increasing the level of competition for capital faced by us, which could have a material impact on the trading price of the Units or the Debentures.

We intend to implement active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders and cash interest payments under the Debentures should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge increases in variable interest rates, our financial results, and our ability to pay distributions to Unitholders and cash interest payments under the Term Loan Credit Facility, the Debentures and future financings may be negatively affected. Hedging transactions involve inherent risks. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties. See "– Changes in currency exchange rates could adversely affect our business" above.

Acquisitions of properties may expose us to undisclosed defects and obligations

Our external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. We intend to make acquisitions and dispositions of properties in accordance with our external growth strategy. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as our ability to realize our anticipated growth opportunities and synergies from our newly acquired properties.

Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, we could acquire a property that contains undisclosed defects in design or construction. Furthermore, we are not always able to obtain from the seller the records and documents that we need in order to fully verify that the buildings we acquire were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been, recognized or correctly evaluated. Thus, we could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties. In addition, after the acquisition of a property by us, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that we acquire may decline during its ownership, and rents that are in effect at the time a property is acquired may decline thereafter. For these reasons, among others, our property acquisitions may cause us to experience losses. If we are unable to manage our growth and integrate our acquisitions effectively, our investments, operating results and financial condition could be adversely affected.

If we discover, during the course of a refurbishment or modernization, that a building we acquired is subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the refurbishment or modernization process, the inability to carry out particular refurbishment or modernization measures, and also significantly higher costs for the particular project. These factors could result in us being unable to perform our contractual obligations to a tenant, with the consequence that the tenant's obligation to make payments would be excused or deferred. The same would be true if the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements. We will continually assess the value and contribution of our properties and may dispose of properties from time to time if determined to be in our best interests. Depending on the state of the market for these types of properties, if disposed of, we may realize less than our carrying value in our financial statements.

Losses of key personnel may affect our ability to operate

Our operations are dependent upon the participation of our key personnel, including Mrs. Gavan, our Chief Executive Officer, Mr. Cooper, our Vice-Chairman and the Chair of the Executive Committee of the Board of Trustees, and the current employees of Hudson Advisors Lux and Hudson Advisors Germany that will be joining Dundee Lux Manager and Dundee Germany Sub-Manager, respectively. While we believe that we could find replacements for these employees, the loss of their services and our inability to attract and retain qualified and experienced personnel may materially affect our ability to operate and expand which could materially and adversely affect our operating results and financial condition.

Our Trustees, executive officers and DRC may be put in a position of conflict as a result of their positions held and interests in other businesses

Certain of our Trustees and executive officers are also trustees, directors and/or officers of DRC, entities affiliated with Lone Star or other entities or are otherwise engaged, and may continue to be engaged, in activities that may put them in conflict with our investment strategy. In addition, these individuals may hold equity in or positions with other companies managed by DRC or Lone Star or its Affiliates and, accordingly, these individuals may not devote all of their time and attention to us. Consequently, these positions or equity interests could create, or appear to create, conflicts of interest with respect to matters involving us or DRC or Lone Star or its Affiliates. In the case of Olivier Brahin, we acknowledge that he will continue to be employed on a full-time basis at entities affiliated with Lone Star and may, in the normal course of such duties, be in a position of conflict with us over certain limited matters (including potential acquisitions of properties that may fall within our investment guidelines or operating policies), in which case

he will not be restricted from acting primarily in the interests of Lone Star or its Affiliates and will not be under any duty to the REIT in this regard. In view of the different business plans that we and Lone Star have we, do not expect this issue will detrimentally affect their performance as one of our Trustees and executive officers, as applicable. Pursuant to the Declaration of Trust, all decisions to be made by the Trustees which involve us are required to be made in accordance with the Trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, our Trustees and 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. However, there can be no assurance that the provisions in the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in our favour.

DRC acts as the asset manager for another publicly traded real estate investment trust and also provides management services to other public and private companies. As asset manager for other entities and on its own behalf, DRC will pursue other business opportunities, including but not limited to real estate and development business opportunities outside of the REIT. These multiple responsibilities to public companies and other businesses could create competition for the time and efforts of DRC which could materially and adversely affect our cash flows, operating results and financial condition.

We rely on DRC for asset management services

We rely on DRC with respect to the asset management of our properties. Consequently, our ability to achieve our investment objectives depends in large part on DRC and its ability to advise us. This means that our investments are dependent upon DRC's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If we were to lose the services provided by DRC or its key personnel, our investments and growth prospects may decline. We may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager. Prospective investors should not purchase any Units or Debentures unless they are prepared to rely on our Trustees, executive officers and DRC.

Although the Asset Management Agreement provides that DRC will automatically be rehired at the expiration of each term (subject to certain termination provisions), DRC has the right, at any time after the initial 10-year term upon 180 days' notice, to terminate the Asset Management Agreement for any reason. The Asset Management Agreement may also be terminated in other circumstances, such as in the event of default or insolvency of DRC within the meaning of such agreement. Accordingly, there can be no assurance that DRC will continue to be our asset manager. If DRC should cease for whatever reason to be the asset manager, the cost of obtaining substitute services may be greater than the fees we will pay DRC under the Asset Management Agreement, and this may adversely impact our ability to meet our objectives and execute our strategy which could materially and adversely affect our cash flows, operating results and financial condition.

Concentration of properties in Germany may adversely affect our financial performance

All of the Initial Properties are located in Germany and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Germany. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of the Initial Properties, a number of the Initial Properties could experience any of the same conditions at the same time. If real estate conditions in Germany decline relative to real estate conditions in other regions, our cash flows, operating results and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

Competition in the German real estate market may adversely affect our financial performance

The real estate market in Germany is highly competitive and fragmented and we will compete for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) and other entities which are seeking or may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. Some of the properties owned by our competitors are better located, better quality or less leveraged than the properties owned by us. Some of our competitors are better capitalized and stronger financially and hence better able to withstand an

economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition and our ability to make distributions on the Units and cash interest payments on our Debentures.

We may not be able to source suitable acquisitions

Our strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If we are unable to manage growth effectively, it could adversely impact our cash flows, financial condition and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that we will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to holders of Units will increase in the future.

Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

We will carry general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar real estate portfolios in Germany and otherwise acceptable to the Trustees. For the property risks we intend to carry "All Risks" property insurance including but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24 month indemnity period). We also intend to carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We intend to partially self-insure against terrorism risk for our entire portfolio. We will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We will not carry title insurance on the Initial 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, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

A change in indexation for inflation may affect our financial condition

The rents payable under the DP Leases are automatically adjusted if the consumer price index for Germany changes by more than 4.7 index points. This means that our rental income will increase if the consumer price index for Germany increases by more than 4.7 index points. However, it also means that our rental income will decrease if the consumer price index for Germany decreases by more than 4.7 index points. As a result, a significant decrease in the consumer price index for Germany could have a material and adverse effect on our cash flows, operating results and financial condition. The fixed rents payable under other lease agreements in respect of the Initial Properties and other properties we may acquire will not normally provide for adjustments following a general change in prices. As a result, our revenues adjusted for inflation could be materially and adversely affected from an unexpected rise in inflation, which could have a materially adverse effect on our cash flows, operating results or financial condition.

Investments through joint venture, partnership and co-ownership agreements may restrict our ability to deal with a property or expose us to liability

We are not currently a participant in any joint venture, partnership or co-ownership arrangement with a third party in respect of any of the Initial Properties. However, we may choose to enter into any of such arrangements in respect of future acquisitions of properties. A joint venture or partnership involves certain additional risks, including, (a) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with us or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments, (b) 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 us to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by us or for which it will be liable and/or result in its suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (c) 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 us to liability, and (d) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties 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 we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis we desire.

We may not be able to fully manage internal controls

Effective internal controls are necessary for us to provide reliable financial reports and to help prevent fraud. Although we will undertake a number of procedures and DRC has significant safeguards and experience, in each case, in order to help ensure the reliability of financial reports, including those imposed on us under Canadian securities law, we (and DRC) are also reliant on the internal controls of DP Real Estate (as our property manager). We cannot therefore be certain that such measures will ensure that we will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our consolidated financial statements and adversely affect the trading price of the Units and Debentures.

Dispositions of certain properties are subject to pre-emptive rights, rights of first refusals or options to purchase

As discussed above, certain of the Initial Properties are subject to pre-emptive rights, rights of first refusals or options to purchase in favour of third parties. As our Acquisition did not involve the transfer of legal title to any of the Initial Properties, these third party rights did not arise at the time of Closing. However, these rights will continue to exist following Closing and may adversely affect the marketability of these properties if and when we should decide to sell them.

Regulatory requirements may limit a future change of use for some Initial Properties

A change of use of the Initial Properties may be limited by several regulatory requirements, including monument protection regulations, urban development regulations, specific limitations for postal buildings and general planning law requirements. This may therefore inhibit our ability to re-lease vacant space to subsequent tenants, or may adversely affect our ability to sell, lease or finance the affected Initial Properties.

Restitution claims may affect our ability to manage the Initial Properties and affect our revenues

People who had property located in the former German Democratic Republic ("GDR") (*Deutsche Demokratische Republik*) that was expropriated by the GDR or who lost property due to racist, political, religious or ideological reasons during 1933 and 1945 may be entitled to restitution or compensation under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen, Vermögensgesetz*).

In addition, persons who developed real properties in the territory of the former GDR as users may be entitled to (i) acquire such real property at a price equivalent to half of the market value or (ii) be granted a hereditary building right (ground lease) with a hereditary ground rent equivalent to half of the usual amount under the German Act on the Adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*).

To the extent required in connection with Sub-Fund I's acquisition of the Initial Properties, our properties located in the territory of the former GDR (approximately 19% of our properties) have received a certification according to the German Act of Real Estate Transactions (*Grundstückverkehrsordnung*), which is generally only issued if no restitution procedure is pending. Further, the notification deadline under the German act of Unsettled Property Issues generally, subject to certain exemptions, expired at the end of 1992. However, the aforementioned restitution and compensation claims cannot be entirely excluded. If any such claims were to be brought regarding properties owned by us, we would be severely limited in our ability to manage such properties and may even be forced to transfer such properties to successful claimants without adequate compensation. Any such limitations or compulsory transfers of property could have a material adverse effect on our cash flows, financial condition, results of operations and ability to pay distributions on the Units and cash interest payments on our Debentures.

Risks Relating to the Offering and the Acquisition

Absence of a prior public market and determination of offering price

As at the date of this prospectus, there is no public market for the Units or the Debentures. The offering prices of the Units and Debentures offered hereunder were determined by negotiation between us, DRC and the Underwriters. We cannot predict at what prices the Units and Debentures will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such market will be sustained at the offering prices.

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units and/or Debentures may trade at a premium or a discount to values implied by the valuations of our assets. The market prices of the Units and the Debentures could be subject to wide fluctuations.

A factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, general market conditions, fluctuations in the markets for equity or debt securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the our control could materially and adversely affect the trading value of the Units or the Debentures.

The ability of Unitholders to redeem Units is subject to restrictions on redemption

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units will liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (a) the total amount payable by us in respect of such Units and all other 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); (b) at the time such Units are tendered for redemption, the outstanding Units 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 the Units; and (c) the normal trading of the Units is not suspended or halted on any stock exchange on which such Units are listed (or, if not listed on a stock exchange, on any market on which such 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.

Subordination of the Units may limit our ability to pay distributions

In the event of a bankruptcy, liquidation or reorganization of us or any of our Subsidiaries, holders of our indebtedness and our trade creditors will generally be entitled to payment of their claims from our assets and those of our Subsidiaries before any assets are made available for distribution to us or our Unitholders. Upon completion of the Offering, the Units will be subordinated to the debt and other obligations of us and our Subsidiaries. We and our Subsidiaries will generate all of our revenue available for distribution and hold substantially all of our operating assets.

Cash distributions are not guaranteed and may fluctuate with our financial performance

Our distribution policy is established in the Declaration of Trust and may only be changed with the approval of a majority of unitholders. However, the Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse impact on the market price of the Units.

Although we intend to make cash distributions in accordance with our distribution policy, the actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to us by our operating entities and can vary significantly from period to period for a number of reasons, including among other things: (a) the amount of net rental income derived from our properties; (b) the amount of cash required or retained for debt service or repayment; (c) amounts required to fund capital expenditures and working capital requirements; (d) tenant allowances; (e) leasing commissions; (f) Unit redemptions; (g) foreign currency exchange rates and interest rates; (h) the level of foreign taxes, if any, payable by a Subsidiary or the Dundee FCPs and (i) other factors that may be beyond our control. These amounts are subject to the discretion of the Trustees, which will regularly evaluate our distribution payout with respect to anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions

and expenditures. In addition, our level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on our operations and the performance of our assets. The market value of the Units may deteriorate if we are unable to meet distribution expectations in the future and such determination may be material.

Ownership of Units by Dundee Corporation and DRC may affect the market price of the Units

Upon Closing, Dundee Corporation and its Affiliates (including DRC) will hold approximately 26.8% of our outstanding Units on a fully-exchanged basis (approximately 24.7% if the Over-Allotment Option is exercised in full). Thus, upon Closing, Dundee Corporation will be in a position to influence the strategic course of our operations. If Dundee Corporation and its Affiliates sells a substantial amount of their Units, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such an effect.

Historical carve-out financial information and pro forma financial information may not be indicative of future results

The historical carve-out financial information relating to the Initial Properties included in this prospectus has been derived on a carve-out basis from Sub-Fund I's historical accounting records. We believe that Management of the Initial Properties have made reasonable assumptions underlying the carve-out financial statements. However, the carve-out financial statements may not reflect what our financial position, results of operations or cash flows would have been had we owned the Initial Properties during the historical periods presented or what our financial position, results of operations or cash flows will be in the future. The carve-out financial statements do not contain any adjustments to reflect changes that may occur in our cost structure, financing and operations as a result of the acquisition of the Initial Properties.

In preparing the *pro forma* financial information included in this prospectus, we have given effect to, among other items, the Offering and the closing of the Acquisition. The estimates used in the *pro forma* financial information may not be similar to our actual experience.

Our financial forecast may not be accurate

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary from the forecast results and those variations may be material. We give no representation that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward-Looking Information" and "Financial Forecast".

Unitholders do not have legal rights normally associated with ownership of shares of a corporation

Unitholders do 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 us. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, we are not a trust company and, accordingly, are not registered under any trust and loan company legislation as we do not carry on or intend to carry on the business of a trust company.

Unitholder liability may arise

The Declaration of Trust provides that no holder of REIT Units or annuitant or beneficiary of a trust governed by a Plan/or of any Plan of which a holder of REIT Units acts as an annuitant will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of REIT Units or annuitant for any liability whatsoever, whether constituting extra contractual or contractual

liability or arising in tort, contract or otherwise, to any Person in connection with our property or our affairs, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of us or of the Trustees or any obligation which a holder of REIT Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such ("Trust Liability"). Only our assets are intended to be liable and subject to levy or execution for satisfaction of such Trust Liability. Each holder of REIT Units and annuitant will be entitled to be reimbursed out of our assets in respect of any payment of such Trust Liability made by such holder of REIT Units or annuitant.

The Declaration of Trust further provides that the Trustees shall cause our operations to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of REIT Units, any material risk of liability on the holders of REIT Units for claims against us, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by us, to the extent applicable, to cover the holders of REIT Units and annuitants as additional insured. Any written instrument creating an obligation which is or includes the granting by us of a mortgage and, to the extent the Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the holders of REIT Units, any written instrument which is a material obligation, shall contain a provision that the obligation created is not personally binding upon the Trustees, the holders of REIT Units or officers, employees or agents of us, but that our only property or a specific portion thereof is bound. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Ontario to Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting our affairs, we will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the unitholders or annuitants personally. However, we may not be able to obtain such modification in all cases. If a claim is not satisfied by us, there is a risk that a unitholder or annuitant will be held personally liable for the performance of the obligations of us where the liability is not disavowed as described above. The possibility of any personal liability attaching to unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

The issuance of additional REIT Units will result in dilution

The number of REIT Units we are authorized to issue is unlimited. We may, in our sole discretion, issue additional REIT Units from time to time. Any REIT issuance of REIT Units, including Units issued in consideration for properties acquired by us, will have a dilutive effect on existing unitholders.

Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination

Upon a redemption of REIT Units or termination of the 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 Plans, depending upon the circumstances at the time.

The Debentures are unsecured, subordinated obligations of the REIT

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on our financial condition and creditworthiness. In addition, the Debentures are unsecured obligations and are subordinate in right of payment to all of our existing and future Senior Indebtedness (as defined under "Description of the Debentures – Subordination"). Therefore, if we become bankrupt, liquidate our assets, reorganize or enter into certain other transactions, our assets will be available to pay our obligations with respect to the Debentures only after we have paid all of our senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of our Subsidiaries except to the extent that we are a creditor of such Subsidiaries ranking at least *pari passu* with such other creditors. The Trust Indenture does not prohibit

or limit our ability or the ability of our Subsidiaries to incur additional debt or liabilities (including Senior Indebtedness and secured indebtedness) or to make distributions except in respect of cash distributions where an Event of Default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Trust Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving us.

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

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

Certain closing risks may affect our financial condition

Pursuant to the Acquisition Agreements, each of Sub-Fund I and Caroline Holdings has made representations and warranties to us with respect to certain matters. Each of Sub-Fund I and Caroline Holdings has also agreed to indemnify us, subject to certain conditions and thresholds, under the Acquisition Agreements if certain circumstances should occur. There can be no assurance that we will be fully protected in the event of a breach of such representations and warranties or if such circumstances should occur or that Sub-Fund I or Caroline Holdings will be in a position to indemnify us in any such event. We may not be able to successfully enforce an indemnity contained in the Acquisition Agreements against such party or any such indemnity may not be sufficient to fully indemnify us from third party claims. While Sub-Fund I is required to provide us with additional security acceptable to us in certain circumstances (see “Our Structure and Formation – Acquisition Agreements – Reallocation Agreement”), Caroline Holdings has not provided any security for its obligations and is not required to maintain any cash for this purpose. However, we do not believe that the indemnities from Caroline Holdings are material and are satisfied that the present net asset value of the company will be maintained in the future due to its other holdings of assets. In addition, we may be subject to undisclosed liability to third parties and such liability may be material, which could negatively impact our financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders and for cash interest payments on our Debentures.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the REIT or its Subsidiaries are as follows:

1. the Declaration of Trust described under "Declaration of Trust and Description of REIT Units";
2. the Asset Management Agreement described under "Relationship with Dundee Realty Corporation – Asset Management Agreement";
3. the Exchange Agreement described under "LSF Interest – Investment by LSF – Exchangeable Notes";
4. the Lorac Shareholders' Agreement described under "Our Structure and Formation – Acquisition Agreements – Lorac Shareholders' Agreement";
5. the Framework Agreement, as amended, described under "Our Structure and Formation – Acquisition Agreements – Framework Agreement";
6. the Reallocation Agreement described under "Our Structure and Formation – Acquisition Agreements – Reallocation Agreement";
7. the Lorac Share Purchase Agreement described under "Our Structure and Formation – Acquisition Agreements – Lorac Share Purchase Agreement"
8. the Term Loan Credit Facility described under "Financing of the Initial Properties";
9. the Non-Competition Agreement described under "Real Estate Management and Advisory Services – Non Competition-Agreement";
10. the Underwriting Agreement described under "Plan of Distribution"; and
11. the Trust Indenture described under "Description of the Debentures".

Copies of the foregoing documents will be available on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, no Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the REIT Units, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect the REIT, any of its Subsidiaries or the Dundee FCPs.

PROMOTER

DRC has taken the initiative in founding and organizing the REIT and is therefore a promoter of the REIT for the purposes of applicable securities legislation. A description of the nature of the relationship between DRC and the REIT is described under "Relationship with Dundee Realty Corporation".

PRINCIPAL UNITHOLDERS

Following Closing, Dundee Corporation and its Affiliates (including DRC) will hold 12,800,000 Units, representing approximately 26.8% of the outstanding Units (on a fully-exchanged basis) upon completion of the Offering and the Acquisition (approximately 24.7% if the Over-Allotment Option is exercised in full) and LSF will hold 8,000,000 Special Trust Units, representing approximately 16.7% of the outstanding Units (on a fully-exchanged basis) upon completion of the Offering and the Acquisition (approximately 15.4% if the Over-Allotment Option is exercised in full). See "Relationship with Dundee Realty Corporation", "Key Investors" and "LSF Interest". To the knowledge of our Trustees and executive officers, no other person or company will own, directly or indirectly, more than 10% of the REIT Units immediately following Closing.

PRIOR SALES

On April 21, 2011 in connection with the establishment and organization of the REIT, the REIT issued 800,000 Units to DRC for $400,000 in cash, being a price of $0.50 per Unit.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

LEGAL MATTERS AND INTEREST OF EXPERTS

Certain legal matters relating to the issue and sale of the Units and the Debentures, will be passed upon on our behalf by Osler, Hoskin & Harcourt LLP and Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers LLP, with respect to certain tax matters, and on behalf of the Underwriters by Torys LLP.

As of the date of this prospectus, none of the partners or associates of Osler, Hoskin & Harcourt LLP, the partners or associates of Wilson & Partners LLP or the partners or associates of Torys LLP beneficially own, directly and indirectly, any securities of the REIT. Upon Closing, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, the partners and associates of Wilson & Partners LLP, as a group, and the partners and associates of Torys LLP, as a group, will each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, located in Toronto, Ontario, who were appointed as our auditors on April 21, 2011 and are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants in Ontario. The transfer agent and registrar for the Units and the Debentures is Computershare Trust Company of Canada at its principal office located in Toronto, Ontario.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

AUDITOR'S CONSENT

We have read the prospectus of Dundee International Real Estate Investment Trust (the "REIT") dated July 21, 2011 relating to the sale and issue of units of the REIT and convertible unsecured subordinated debentures of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Board of Trustees of the REIT on the balance sheet of the REIT as at April 21, 2011, and the statement of changes in unitholder's equity and the statement of cash flows for the one day period ended April 21, 2011. Our report is dated July 21, 2011.

We also consent to the use in the above-mentioned prospectus of our report to the Board of Trustees of the REIT on the consolidated statements of forecast net income and comprehensive income of the REIT for each of the three-month periods ending September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012 and the twelve-month period ending June 30, 2012. Our report is dated July 21, 2011.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
July 21, 2011

GLOSSARY OF TERMS

"1933 Act" means the *United States Securities Act of 1933*, as amended;

"2007 Act" means the Luxembourg act of 13 February 2007 on specialised investment funds, as amended;

"2010 Act" means the Luxembourg act of 17 December, 2010 concerning undertakings for collective investment, as amended;

"Acquisition" has the meaning given to that term under "Terms Used in this Prospectus";

"Acquisition Agreements" means the Reallocation Agreement, the Lorac Share Purchase Agreement and the Fixtures Purchase Agreement, as described under "Our Structure and Formation";

"Adjusted Unitholders' Equity" means, at any time, the aggregate of: (a) the amount of unitholders' equity; and (b) the amount of accumulated depreciation and amortization recorded on the books and records of the REIT, its subsidiaries and the Dundee FCPs in respect of their properties, in each case calculated in accordance with IFRS;

"Administrative Services Agreement" means the administrative services agreement to be entered into at Closing between the REIT and DRMC, as described under "Real Estate Management and Advisory Services – Administrative Services – Administrative Services Agreement";

"Affiliate" has the meaning given to that term in NI 45-106;

"AFFO" has the meaning given to that term under "Non-IFRS Measures";

"annuitant" means any plan of which a holder of Units acts as a trustee or a carrier;

"Asset Management Agreement" means the asset management agreement to be entered into at Closing between, among others, the REIT and DRC, as described under "Relationship with Dundee Realty Corporation – Asset Management Agreement";

"Board of Trustees" means the board of Trustees of the REIT;

"Business Day" means a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are generally open in the City of Toronto in the Province of Ontario for the transaction of banking business;

"capital gains refund" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"Caroline DP Leases" has the meaning given to that term under "The Initial Properties – Deutsche Post Lease Terms";

"Caroline Fixtures" means Caroline Fixtures I GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany;

"Caroline Holdings" means Caroline Holdings S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg;

"Caroline Portfolio" has the meaning given to that term under "The Initial Properties – Portfolio and Seller";

"Caroline Properties" means the real properties comprising the Caroline Portfolio other than the Initial Properties;

"Cayman Taxing Authority" has the meaning given to that term under "Certain Non-Canadian Income Tax Considerations – Certain Material Cayman Income and Withholding Tax Considerations";

"CBCA" means the *Canada Business Corporations Act*, as amended from time to time;

"CDS" means CDS Clearing and Depository Services Inc.;

"CFA" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of Dundee LP";

"Change of Control" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the votes attaching, collectively, to (a) outstanding REIT Units; and (b) REIT Units issuable upon the conversion or exercise in accordance with their terms of securities convertible into or carrying the right to acquire REIT Units;

"Class A Managers" means the members of the board of managers of Lorac to be appointed by Caroline Holdings;

"Class B Managers" has the meaning given to that term under "Our Structure and Formation – Consequences of the Offering and Acquisition";

"Client" means, collectively, the REIT and its Subsidiaries;

"Closing" means the closing of the Offering and the Acquisition;

"closing market price" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Unit Redemption Right";

"Code of Conduct" has the meaning given to that term under "Trustees and Executive Offices – Governance and Board of Trustees";

"Consulting Agreement" means a consulting agreement between Lone Star Germany GmbH, Dundee Lux Manager and Dundee Germany Sub Manager pursuant to which Lone Star Germany GmbH will provide services of Alexander Hesse;

"Conversion Price" means the price per Unit at which each Debenture will be convertible into Units;

"Counsel" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"CRA" means the Canada Revenue Agency;

"CSSF" means Commission de surveillance du secteur financier of Luxembourg;

"Current Market Price" means the volume weighted average trading price of the Units on the TSX on which the Units are quoted for trading for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date of the applicable event;

"Custodian" has the meaning given to that term under "Real Estate Management and Advisory Services – Administrative Services – Services Performed by the Custodian";

"Custodian Agreement" has the meaning given to that term under 'Real Estate Management and Advisory Services – Administrative Services – Services Performed by the Custodian";

"DAX" means Deutscher Aktien IndeX;

"Debentureholders" means holders of Debentures;

"Debentures" means the 5.5% convertible unsecured subordinated debentures of the REIT due July 31, 2018;

"Debenture Trustee" means Computershare Trust Company of Canada;

"Declaration of Trust" means the amended and restated declaration of trust of the REIT to be entered into at Closing, as described under "Declaration of Trust and Description of REIT Units";

"Deferred Amount" has the meaning given to the term under "Our Structure and Formation – Formation Transactions";

"Deferred Trust Units" means deferred trust units issued pursuant to the Deferred Unit Incentive Plan;

"Deferred Unit Incentive Plan" means the deferred unit incentive plan to be adopted by the REIT at Closing;

"Depository" means CDS or its successor;

"Deutsche Post" means Deutsche Post AG;

"Deutsche Postbank" or "Postbank" means Deutsche Postbank AG;

"Deutsche Telekom" means Deutsche Telekom AG;

"Distribution Date" means date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders;

"Distribution Record Date" means, unless otherwise determined by our 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;

"Double Tax Treaty" means the convention between the Federal Republic of Germany and Luxembourg for the avoidance of double taxation and the establishment of rules of reciprocal administrative and legal assistance with respect to taxes on income and capital, business tax and land tax;

"DPI" means Deutsche Post Immobilien GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany, a wholly-owned Subsidiary of Deutsche Post;

"DP Leases" means the lease agreements between DPI and Lorac in respect of the Initial Properties;

"DP Real Estate" means Deutsche Post Real Estate Germany GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany, a wholly-owned Subsidiary of Deutsche Post;

"DRC" means Dundee Realty Corporation, a corporation governed by the laws of British Columbia, a Subsidiary of Dundee Corporation;

"DRIP" means the distribution reinvestment plan to be adopted by the REIT at Closing;

"DRMC" means Dundee Realty Management Corp., a corporation governed by the laws of Ontario and a wholly-owned Subsidiary of Dundee REIT;

"Dundee FCPs" means, Lorac acting in its own name but for the account of, respectively, each of Dundee International (Luxembourg) Fund 1 FCP, Dundee International (Luxembourg) Fund 2 FCP, Dundee International (Luxembourg) Fund 3 FCP, Dundee International (Luxembourg) Fund 4 FCP, Dundee International (Luxembourg) Fund 5 FCP, Dundee International (Luxembourg) Fund 6 FCP, Dundee International (Luxembourg) Fund 7 FCP, Dundee International (Luxembourg) Fund 8 FCP, Dundee International (Luxembourg) Fund 9 FCP, Dundee International (Luxembourg) Fund 10 FCP, Dundee International (Luxembourg) Fund 11 FCP, Dundee International (Luxembourg) Fund 12 FCP, Dundee International (Luxembourg) Fund 13 FCP, Dundee International (Luxembourg) Fund 14 FCP and Dundee International (Luxembourg) Fund 15 FCP, each an FCP, the sole unitholder of which is a Dundee FCP Unitholder, and **"Dundee FCP"** means any one of the foregoing, unless the context requires the Dundee FCP to refer to the relevant Dundee FCP itself;

"Dundee FCP Unitholders" means, collectively, Dundee International (Luxembourg) Investments 1 S.à r.l., Dundee International (Luxembourg) Investments 2 S.à r.l., Dundee International (Luxembourg) Investments 3 S.à r.l., Dundee International (Luxembourg) Investments 4 S.à r.l., Dundee International (Luxembourg) Investments 5 S.à r.l., Dundee International (Luxembourg) Investments 6 S.à r.l., Dundee International (Luxembourg) Investments 7 S.à r.l., Dundee International (Luxembourg) Investments 8 S.à r.l., Dundee International (Luxembourg) Investments 9 S.à r.l., Dundee International (Luxembourg) Investments 10 S.à r.l., Dundee International (Luxembourg) Investments 11 S.à r.l., Dundee International (Luxembourg) Investments 12 S.à r.l., Dundee International (Luxembourg) Investments 13

S.à r.l., Dundee International (Luxembourg) Investments 14 S.à r.l. and Dundee International (Luxembourg) Investments 15 S.à r.l., each a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, and wholly-owned Subsidiaries of Dundee Lux Holdco, and **"Dundee FCP Unitholder"** means any one of the foregoing;

"Dundee Fixtures" means Dundee International (Germany) Fixtures GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany, and a wholly-owned Subsidiary of Dundee Lux Holdco;

"Dundee Germany Sub-Manager" means Dundee International (Germany) Advisors GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany, and a wholly-owned Subsidiary of Dundee Lux Manager;

"Dundee Gibraltar" means Dundee (Gibraltar) Limited, a corporation governed by the laws of the British Territory of Gibraltar, and a wholly-owned Subsidiary of Dundee LP;

"Dundee GP" means Dundee International (Cayman) Ltd., a corporation governed by the laws of the Cayman Islands, the general partner of Dundee LP and a wholly-owned Subsidiary of the REIT;

"Dundee LP" means Dundee International (Cayman) L.P., a limited partnership established under the laws of the Cayman Islands, of which the REIT is the sole limited partner;

"Dundee LP Agreement" means the limited partnership agreement governing Dundee LP, as it may be amended and/or restated from time to time;

"Dundee Lux Holdco" means Dundee International (Luxembourg) Holdings S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, and a wholly-owned Subsidiary of Dundee Gibraltar;

"Dundee Lux Manager" means Dundee International (Luxembourg) Advisors S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, and a wholly-owned Subsidiary of Dundee Lux Holdco;

"Dundee Parties" means DRC, the REIT and Dundee Lux Holdco;

"Dundee REIT" means Dundee Real Estate Investment Trust, an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario;

"EBITA" means earnings before interest, taxes, depreciation and amortization, as adjusted under the German tax law in respect of certain German tax matters;

"EEA" means European Economic Area;

"Eligible Participants" has the meaning given to that term under "Executive Compensation – Deferred Unit Incentive Plan";

"EU" means European Union;

"Event of Default" means has the meaning given to it in the Trust Indenture, and includes the occurrence and continuation of any one or more of the following events with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration of acceleration or otherwise; (c) an unremedied breach of any material covenant or condition of the Trust Indenture by the REIT after a 30 day cure period following notice of such breach; or (iv) certain events of bankruptcy, insolvency or reorganization of the REIT under bankruptcy or insolvency laws;

“Exchange Agreement” means the exchange agreement to be entered into at Closing between the REIT, Dundee Lux Holdco and LSF, as described under “LSF Interest – Investment by LSF – Exchangeable Notes”;

“Exchange Number” means the aggregate number of Units into which the Exchangeable Notes are exchangeable in accordance with their terms and the terms of the Exchange Agreement, being initially 8,000,000 Units, subject to customary adjustments pursuant to the terms of the Exchange Agreement, as described under “LSF Interest – Investment by LSF”;

“Exchangeable Notes” means Exchangeable Notes, Series A and Exchangeable Notes, Series B, together in the aggregate principal amount of the Euro equivalent of $80 million (determined based on the same exchange rate as the proceeds of the Offering are converted into Euros);

“Exchangeable Notes, Series A” means notes of Dundee Lux Holdco having the rights and attributes specified therein, including the right to exchange such notes for Units on the terms and subject to the conditions of the Exchange Agreement;

“Exchangeable Notes, Series B” means notes of Dundee Lux Holdco having the rights and attributes specified therein, including the right to exchange such notes for Units on the terms and subject to the conditions of the Exchange Agreement;

“Extraordinary Resolutions” means resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures, binding on all holders of Debentures once passed;

“FA” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations – Taxation of Dundee LP”;

“FAPI” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations – Taxation of Dundee LP”;

“FCP” means a *fonds commun de placement*, an unincorporated contractual co-ownership arrangement governed under the laws of Luxembourg by its prospectus for private placement and its management regulations;

“FCP Units” means units of the Dundee FCPs;

“FFO” has the meaning given to that term under “Non-IFRS Measures”;

“Five Year Grantee” has the meaning given to that term under “Executive Compensation – Deferred Unit Incentive Plan”;

“Fixed Term” has the meaning given to that term under “Real Estate Management and Advisory Services – Administrative Services – Hudson Adminstrative Services Agreements and Sub-Lease Agreements”;

“Fixtures Purchase Agreement” means the Fixtures Purchase Agreement to be entered into between Caroline Fixtures and Dundee Fixtures;

“Framework Agreement” means the Framework Agreement dated May 18, 2011 between DRC, the REIT, Dundee Lux Holdco, Lorac, Sub-Fund I, Caroline Holdings, Caroline Fixtures and LSF, as amended, as described under “Our Structure and Formation – Acquisition Agreements – Framework Agreement”;

“German VAT” means value added tax pursuant to the German *Value Added Tax Act* (*Umsatzsteuergesetz* or *UStG)* as published on February 21, 2005, and as amended from time to time;

“GDP” means gross domestic product;

"GDR" means German Democratic Republic (*Deutsche Demokratische Republik*);

"GLA" means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

"GRI" has the meaning given to that term under "Non-IFRS Measures";

"Hudson Administrative Services Agreements" means the administrative services agreement to be dated as of the date of Closing between Hudson Advisors Lux and Dundee Lux Manager and the administrative services agreement between Hudson Advisors Germany and Dundee Germany Sub-Manager;

"Hudson Advisors Germany" means Hudson Advisors Germany GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under the laws of Germany, the sub-asset manager of Hudson Advisors Lux;

"Hudson Advisors Lux" means Hudson Advisors Luxembourg S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, the asset manager of Sub-Fund I;

"IAS" means International Accounting Standards;

"IASB" means International Accounting Standards Board;

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook – Accounting, as amended from time to time;

"IFRIC" means the International Financial Reporting Interpretations Committee;

"Income Deferred Trust Units" means income deferred trust units credited to a holder of Deferred Trust Units pursuant to the terms and conditions of the Deferred Unit Incentive Plan;

"Indemnified Claims" has the meaning given to that term under "Our Structure and Formation – Acquisition Agreements – Reallocation Agreement";

"Independent Trustees" has the meaning given to that term under "Trustees and Executive Officers – Governance and Board of Trustees";

"Initial Properties" means the income-producing properties that we will acquire at Closing, as described under "Initial Properties";

"Initial Term" has the meaning given to that term under "Relationship with Dundee Realty Corporation – Asset Management Agreement";

"Interest Payment Date" means July 31 and January 31 in each year;

"Investment Assets" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"Landlord" means, before Closing, Lorac for the account of Sub-Fund I and, after Closing, Lorac for the account of the Dundee FCPs;

"Liability Cap" has the meaning given to that term under "Our Structure and Formation – Acquisition Agreements – Reallocation Agreement";

"Lone Star" means, collectively, Lone Star Real Estate Fund (U.S.) L.P., and Lone Star Real Estate Fund (Bermuda), L.P.;

“Lorac” means Lorac Investment Management S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, which, following Closing, will be owned, as to 50%, by Dundee Lux Holdco and, as to 50%, by Caroline Holdings and which, according to its corporate purpose, is entitled to act in its own name as management company but for the account of the Lorac Investment Fund and the Dundee FCPs respectively;

“Lorac Governance Rules” means the Lorac governance rules as described under “Our Structure and Formation – Acquisition Agreements – Lorac Shareholders’ Agreement”;

“Lorac Investment Fund” means Lorac acting in its own name but for the account of Lorac Investment Fund, an umbrella FCP structured as a SIF under article 71 of the 2007 Act unless the context requires to refer to Lorac Investment Fund itself;

“Lorac Share Purchase Agreement” means the share purchase agreement to be entered into between Caroline Holdings and Dundee Lux Holdco, as described under “Our Structure and Formation – Acquisition Agreements – Lorac Share Purchase Agreement”;

“Lorac Shareholders” means Dundee Lux Holdco and Caroline Holdings as described under “Our Structure and Formation – Acquisition Agreements – Lorac Shareholders’ Agreement”;

“Lorac Shareholders’ Agreement” means the shareholders agreement to be entered into between Dundee Lux Holdco and Caroline Holdings, as described under “Our Structure and Formation – Acquisition Agreements – Lorac Shareholders’ Agreement”;

“LP Units” means the units of Dundee LP;

“LSF” means LSF REIT Holdings S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg;

“LS Lease Agreement” means the lease agreement to be entered into between the Dundee FCPs and the LS Tenant, as described under “Our Structure and Formation – LS Lease Agreement”;

“LS Parties” means Lorac, Sub-Fund I, Caroline Holdings, Caroline Fixtures and LSF;

“LS Tenant” means Caroline Real Estate Holding Luxembourg S.à r.l., a limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg;

“Luxembourg” means the Grand Duchy of Luxembourg;

“Margin” has the meaning given to that term under “Financing of the Initial Properties”;

“market price” has the meaning given to that term under “Declaration of Trust and Description of REIT Units – Unit Redemption Right”;

“Maturity Date” means July 31, 2018;

“Merger Clearance” means clearance received from the German Federal Cartel Office (*Bundeskartellamt*) with respect to the Lorac Share Purchase Agreement;

“MI 61-101” means, Multilateral Instrumental 61-101 – *Take-Over Bids and Special Transactions*;

“named executive officers” or **“NEOs”** has the meaning given to that term under “Executive Compensation”;

“NI 45-106” means National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“NI 52-110” means National Instrument 52-110 – *Audit Committees*;

“NI 58-101” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“NOI” has the meaning given to that term under “Non-IFRS Measures”;

“Non-Competition Agreement” means the non-competition agreement to be entered into at Closing between DRC and the REIT, as described under “Real Estate Management and Advisory Services – Non-Competition Agreement”;

“Notes” means the promissory notes, bonds, debentures, debt securities or similar evidences of indebtedness issued by an individual, body corporate, partnership, limited partnership, joint venture, trust or unincorporated organization, the Crown or any agency or instrumentality thereof, or any other entity recognized by law, including, without limitation, Dundee LP;

“October 2003 Proposals” means draft proposed amendments to the Tax Act relating to the deductibility of losses, released by the Department of Finance for public consultation on October 31, 2003;

“OBCA” means the *Ontario Business Corporations Act*, as amended from time to time;

“Offering” means the distribution of the Units and Debentures under this prospectus;

“Offeror” means any person making a take-over bid for REIT Units;

“Over-Allotment Option” has the meaning given to that term under “Plan of Distribution – Over-Allotment Option”;

“participants” has the meaning given to the term under “Description of the Debentures – Book-entry, Delivery and Form”;

“Person” includes an individual, body corporate, partnership, limited partnership, joint venture, trust or unincorporated organization, the Crown or any agency or instrumentality thereof, or any other entity recognized by law;

“Plan Participants” has the meaning given to the term under “Executive Compensation – Deferred Unit Incentive Plan”;

“Plans” means collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans under the Tax Act;

“Portfolio Management Agreement” means the portfolio management agreement to be entered into on Closing between the Dundee FCPs and Dundee Lux Manager, as described under “Real Estate Management and Advisory Services – Portfolio Management”;

“Property Management Agreement” means the property and facility management agreement to be entered into between the Dundee FCPs and DP Real Estate, as described under “Real Estate Management and Advisory Services – Property Management”;

“Put Date” means the date which is 30 days following the giving of notice to holders of Debentures of a Change of Control;

“Put Price” means the price equal to 101% of the principal amount of the Debentures;

“Reallocation Agreement” means the reallocation agreement to be entered into between Lorac, Sub-Fund I and the Dundee FCPs, as described under “Our Structure and Formation – Acquisition Agreements – Reallocation Agreement”;

"Reallocation Consideration" means €736 million, subject to adjustments as set out in the Reallocation Agreement;

"Record Date" means the record date for the payment of interest on the Debentures, being July 15 and January 15 in each year;

"Redemption Date" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Unit Redemption Right";

"Redemption Price" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Unit Redemption Right";

"Regulations" means the *Income Tax Regulations* (Canada), as amended from time to time;

"REIT" means Dundee International Real Estate Investment Trust, an unincorporated open-ended real estate investment trust formed on April 21, 2011 under the laws of the Province of Ontario, as described under "The REIT";

"REIT Units" means, collectively, Units and Special Trust Units;

"Related Party" means, with respect to any person, a person who is a "related party", as that term is defined in MI 61-101, as such rule may be amended from time to time (and including any successor rule or policy thereto);

"Renewal Terms" has the meaning given to that term under "Relationship with Dundee Realty Corporation – Asset Management Agreement";

"RETT" means German real estate transfer tax (*Grunderwerbsteuer*);

"RRIF" has the meaning given to that term under "Eligibility for Investment";

"RRSP" has the meaning given to that term under "Eligibility for Investment";

"Securities" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"SEDAR" means the System for Electronic Documents Analysis and Retrieval;

"Senior Indebtedness" has the meaning given to that term under "Description of the Debentures – Subordination";

"SIF" means a specialised investment fund (*Fonds d'investissement spécialisé*) under the 2007 Act;

"SIFT" means a specified investment flow-through trust or partnership for the purpose of the Tax Act;

"SIFT Rules" means the provisions of the Tax Act that apply to a SIFT, taking into account all proposed amendments to such rules, including the amendments proposed on July 20, 2011;

"Special Trust Units" means units of interest in the REIT (other than Units) authorized and issued under the Declaration of Trust to a holder of securities which are exchangeable for Units, including the Exchangeable Notes;

"Sub-Lease Agreements" means, collectively, the sub-lease agreement between Lone Star Capital Investments S.à r.l. and Dundee Lux Manager and the sub-lease agreement between Hudson Advisors Germany and Dundee Germany Sub-Manager;

"Subsidiary" has the meaning given to that term in NI 45-106;

"Subsidiary Securities" means the Notes or other securities of Dundee LP or such other notes or securities of a Subsidiary of Dundee LP as the Trustees may determine from time to time;

"Sub-Fund I" means Lorac, acting as management company in its own name but for the account of Sub-Fund I, a sub-fund of Lorac Investment Fund, an umbrella FCP structured as a SIF under article 71 of the 2007 Act unless the context is clear that Sub-Fund I refers to Sub-Fund I itself;

"Sub-Portfolio Management Agreement" means the sub-portfolio management agreement to be entered into on Closing between Dundee Lux Manager and Dundee Germany Sub-Manager;

"Tax Act" means the *Income Tax Act* (Canada), as amended from time to time, and the *Income Tax Regulations* (Canada), as amended from time to time, as applicable;

"Tax Proposals" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"Term" has the meaning given to that term under "Relationship with Dundee Realty Corporation – Asset Management Agreement";

"Term Loan Credit Facility" has the meaning given to that term under "Financing of the Initial Properties";

"TFSA" has the meaning given to that term under "Eligibility For Investment";

"Total Put Price" means the Put Price plus accrued and unpaid interest up to but excluding the Put Date;

"Trust Indenture" means the trust indenture to be entered into at Closing between the REIT and the Debenture Trustee;

"Trustees" means the trustees of the REIT from time to time;

"Trust Liability" has the meaning given to that term under "Risk Factors – Risks Relating to the Offering and the Acquisition – Unitholder liability may arise";

"TSX" means the Toronto Stock Exchange;

"Underwriters" means, collectively, TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Dundee Securities Ltd., HSBC Securities (Canada) Inc., Brookfield Financial Corp., GMP Securities L.P. and National Bank Financial Inc.;

"Underwriting Agreement" means the underwriting agreement dated July 21, 2011 between the REIT, DRC and the Underwriters, as described under "Plan of Distribution";

"Unit" means a unit representing an interest in the REIT (other than Special Trust Units) authorized and issued under the Declaration of Trust;

"Unitholders" means holders of Units, but "**unitholders**", when used in lower case type, refers to all holders of REIT Units, except where the context is clear that unitholders in lower case type refers to holders of units in a Dundee FCP or Sub-Fund I;

"Unit Interest Payment Option" means the right of the REIT to elect to issue and deliver freely-tradeable Units to the Debenture Trustee in order to raise funds to satisfy all or any part of its obligations to pay interest on the Debentures in accordance with the Trust Indenture;

"U.S." or "United States" means the United States of America; and

"U.S. person" means an individual, a partnership, a joint venture, a corporation and any other entity or "group" (as such term is defined in Rule 13d-5(b)(1) of the *Securities Exchange Act* of 1934, as amended.

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Financial Statements of the REIT

Independent Auditor's Report to the Board of Trustees

We have audited the accompanying financial statements of Dundee International Real Estate Investment Trust, which comprise the balance sheet as at April 21, 2011, and the statement of changes in unitholder's equity and the statement of cash flows for the one day period ended April 21, 2011, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dundee International Real Estate Investment Trust as at April 21, 2011 and its financial performance and its cash flows for the one day period ended April 21, 2011 in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
July 21, 2011

Balance Sheet (in thousands of Canadian dollars)
As at April 21, 2011

ASSET	
Cash	$400
UNITHOLDER'S EQUITY	$400

See accompanying notes to the financial statements

Statement of Changes in Unitholder's Equity (in thousands of Canadian dollars)
For the One Day Period Ended April 21, 2011

ISSUANCE OF UNITS ON FORMATION	$ 400
Comprehensive income	—
UNITHOLDER'S EQUITY, END OF PERIOD	$ 400

See accompanying notes to the financial statements

Statement of Cash Flows (in thousands of Canadian dollars)
For the One Day Period Ended April 21, 2011

FINANCING ACTIVITIES	
Issuance of Units	$400
Net increase in cash	400
Cash, beginning of period	—
CASH, END OF PERIOD	$400

See accompanying notes to the financial statements

Notes to the Financial Statements
(in thousands of Canadian dollars unless otherwise stated except Unit or per Unit amounts)

1. Organization

Dundee International Real Estate Investment Trust (the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated April 21, 2011 when 800,000 Units were issued to Dundee Realty Corporation ("DRC") for $400 cash. The REIT was established under the laws of the Province of Ontario, and is domiciled in Canada.

The address of the REIT's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The REIT's financial statements as at April 21, 2011 were authorized for issue by the Board of Trustees on July 15, 2011, after which date the financial statements may be amended with board approval.

2. Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Unitholder's equity

The REIT is authorized to issue an unlimited number of units ("Units"), and classifies issued Units as equity in the balance sheet. The Units are puttable financial instruments because of the Unitholder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees in their sole discretion. The REIT has classified the Units as equity pursuant to the provisions of IAS 32, *Financial Instruments: Presentation*, on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption".

The criteria in IAS 32 are as follows:

- The Units entitle the Unitholder to a pro rata share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after deducting all other claims on its assets;
- The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments (including these Units) in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the REIT to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the REIT, and it is not a contract that will or may be settled in the REIT's own instruments; and
- The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the REIT over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also has no other financial instrument or contract that has the effect of substantially restricting or fixing the residual return to the Unitholders.

Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising on the issue of Units are recognized directly in Unitholder's equity as a reduction of the proceeds received.

3. Subsequent Event

On July 21, 2011, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of $410,000 through the issuance of 27,000,000 Units at $10.00 per Unit and $140,000 aggregate principal amount of 5.5% convertible unsecured subordinated debentures (the "Debentures") pursuant to an initial public offering (the "Offering") (excluding any over-allotment option). The REIT is expected to allocate $7,049 to the conversion feature of the Debentures that will be accreted to the principal portion of the Debentures over its term and is expected to charge $5,950 of costs that will be amortized over the term. Costs relating to the Offering, including underwriters' fees, are expected to be $23,750 of which $17,800 is expected to be charged directly to Unitholder's equity and $5,950 is expected to be charged against the Debentures and subsequently measured at amortized cost.

The closing (the "Closing") of the transactions contemplated by the prospectus are scheduled to occur no later than August 17, 2011.

a) Acquisition

On Closing of the above transactions, the REIT will indirectly acquire 292 commercial properties located in Germany (the "Initial Properties") comprising 12.3 million square feet of gross leaseable area (the "Acquisition"). Costs relating to the Acquisition are expected to be $6,389 and will be charged directly to net income. The Acquisition is expected to be financed by way of net proceeds from the Offering, as described above, and a Term Loan Credit Facility and Units issued to DRC and Dundee Corporation as described above and in notes (b) and (c) below.

Net assets acquired using the purchase method of accounting, based upon a preliminary estimate of fair value, are as follows:

Initial Properties	$1,008,964
Consideration transferred by the REIT consists of:	
Proceeds of Exchangeable Notes	$ 80,000
Cash	928,964
Consideration transferred by the REIT	$1,008,964

The identifiable assets acquired and liabilities and contingent liabilities assumed in this business combination are measured initially at their fair values at the date of acquisition. The preliminary determination of these fair values based on the 10-day average noon exchange rate of 1.37 as of July 15, 2011 may change once the Acquisition is closed.

b) Term Loan Credit Facility

Concurrent with the Acquisition, the REIT is expected to obtain a Term Loan Credit Facility for gross proceeds of $450,107 (€328,500). Costs relating to the debt issue are expected to be $9,679 and will be charged to directly the Term Loan Credit Facility and subsequently measured at amortized cost.

c) Units issued to DRC and Dundee Corporation

The REIT is expected to complete the issue of Units to DRC and DRC's parent company, Dundee Corporation, for gross proceeds of $120,000 through the issuance of 12,000,000 Units at $10.00 per Unit.

d) Sources and uses of cash

The REIT's sources and (uses) of cash after the completion of the transactions contemplated in the Offering and Acquisition are expected to be as follows:

Initial public offering of Units	$ 270,000
Units issued to DRC	20,000
Units issued to Dundee Corporation	100,000
Public offering of Debentures	140,000
Term Loan Credit Facility, net of costs	440,428
Payment to vendor for purchase of initial properties	(928,964)
Offering costs and expenses	(23,750)
Acquisition costs	(6,389)
Cash added to the working capital of REIT	$ 11,326

Unaudited Pro Forma Consolidated Financial Statements

Unaudited Pro Forma Consolidated Balance Sheet
As at March 31, 2011

(unaudited) (in thousands of Canadian dollars unless otherwise stated)	Dundee International Real Estate Investment Trust	*Jupiter Portfolio*	Jupiter Portfolio	Sub-Total	Note	Pro Forma Adjustments	Pro Forma
		(in thousands of Euros)					
ASSETS							
Non-current assets							
Investment properties	$ —	*€745,000*	$1,020,650	$1,020,650	3c	$ (11,686)	$1,008,964
	—	*745,000*	1,020,650	1,020,650		(11,686)	1,008,964
Current assets							
Amounts receivable	—	*7,772*	10,647	10,647	3d	(10,647)	—
Cash and cash equivalents	400	—	—	400	3c	11,325	11,725
	400	*7,772*	10,647	11,047		678	11,725
	$400	*€752,772*	$1,031,297	$1,031,697		$ (11,008)	$1,020,689
LIABILITIES							
Non-current liabilities							
Debt	$ —	€ —	$ —	$ —	3b	$ 647,429	$ 647,429
Convertible debentures conversion feature	—	—	—	—	3b	7,049	7,049
	—	—	—	—		654,478	654,478
Current liabilities							
Debt	—	*358,336*	490,921	490,921	3d	(490,921)	—
Derivative financial instruments	—	*8,901*	12,194	12,194	3d	(12,194)	—
Amounts payable and accrued liabilities	—	*4,944*	6,773	6,773	3d	(6,773)	—
	—	*372,181*	509,888	509,888		(509,888)	—
	—	*372,181*	509,888	509,888		144,590	654,478
JUPITER PORTFOLIO EQUITY	—	*380,591*	521,409	521,409	3d	(521,409)	—
UNITHOLDERS' EQUITY	400	—	—	400	3a,c	365,811	366,211
	400	*380,591*	521,409	521,809		(155,598)	366,211
	$400	*€752,772*	$1,031,297	$1,031,697		$ (11,008)	$1,020,689

See accompanying notes to the pro forma consolidated financial statements

Unaudited Pro Forma Consolidated Statement of Comprehensive Income
For The Three Month Period Ended March 31, 2011

(unaudited) **(in thousands of Canadian dollars unless otherwise stated)**	**Dundee International Real Estate Investment Trust**	***Jupiter Portfolio***	**Jupiter Portfolio**	**Sub-Total**	**Note**	**Pro Forma Adjustments**	**Pro Forma**
		(in thousands of Euros)					
Investment property revenue	$—	*€24,054*	$ 32,443	$ 32,443	4c,f	$ 1,697	$34,140
Investment property operating expenses	—	*11,407*	15,385	15,385	4f	(238)	15,147
Net rental income	—	*12,647*	17,058	17,058		1,935	18,993
Other income and expenses							
Portfolio management	—	*(581)*	(784)	(784)		—	(784)
General and administrative	—	*(190)*	(256)	(256)		—	(256)
Fair value adjustment to investment properties	—	*81,108*	109,394	109,394	4e	(109,394)	—
Interest	—	*(4,745)*	(6,399)	(6,399)	4a	(2,436)	(8,835)
Finance and other income	—	*5*	6	6		—	6
Fair value adjustments to financial instruments	—	*1,259*	1,698	1,698	4e	(1,698)	—
Income before taxes	—	*89,503*	120,717	120,717		(111,593)	9,124
Current tax expense	—	—	—	—		—	—
Deferred tax expense	—	—	—	—	4d	(686)	(686)
Net income for the period	—	*89,503*	120,717	120,717		(112,279)	8,438
Other comprehensive income							
Foreign currency translation adjustment	—	—	—	—		—	—
Comprehensive income for the period	$—	*€89,503*	$120,717	$120,717		$(112,279)	$ 8,438

See accompanying notes to the pro forma consolidated financial statements

Unaudited Pro Forma Consolidated Statement of Comprehensive Income
For The Year Ended December 31, 2010

(unaudited) (in thousands of Canadian dollars unless otherwise stated)	Dundee International Real Estate Investment Trust	*Jupiter Portfolio*	Jupiter Portfolio	Sub-Total	Note	Pro Forma Adjustments	Pro Forma
		(in thousands of Euros)					
Investment property revenue	$—	€ *97,900*	$133,742	$133,742	4c,f	$ 5,598	$139,340
Investment property operating expenses	—	*47,643*	65,084	65,084	4f	(688)	64,396
Net rental income	—	*50,257*	68,658	68,658		6,286	74,944
Other income and expenses							
Portfolio management	—	*(2,615)*	(3,573)	(3,573)		—	(3,573)
General and administrative	—	*(855)*	(1,168)	(1,168)		—	(1,168)
Fair value adjustment to investment properties	—	*81,451*	111,270	111,270	4e	(111,270)	—
Acquisition costs		—	—	—	3c	(6,389)	(6,389)
Interest	—	*(28,240)*	(38,579)	(38,579)	4a	2,770	(35,809)
Finance and other income	—	*34*	47	47		—	47
Fair value adjustments to financial instruments	—	*5,672*	7,748	7,748	4e	(7,748)	—
Income before taxes	—	*105,704*	144,403	144,403		(116,351)	28,052
Current tax expense	—	—	—	—		—	—
Deferred tax expense	—	—	—	—	4d	(2,746)	(2,746)
Net income for the year	—	*105,704*	144,403	144,403		(119,097)	25,306
Other comprehensive income							
Foreign currency translation adjustment	—	—	—	—		—	—
Comprehensive income for the year	$—	*€105,704*	$144,403	$144,403		$(119,097)	$ 25,306

See accompanying notes to the pro forma consolidated financial statements

Notes to the Unaudited Pro Forma Consolidated Financial Statements
(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

1. Basis of Presentation

Dundee International Real Estate Investment Trust ("Dundee International REIT" or the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated April 21, 2011, under the laws of the Province of Ontario. The consolidated financial statements of Dundee International REIT include the accounts of Dundee International REIT and its consolidated subsidiaries.

The *pro forma* consolidated financial statements have been prepared by management for inclusion in the prospectus (the "Prospectus") dated July 21, 2011, relating to the proposed issue and sale of units (the "Units") and convertible unsecured subordinated debentures (the "Debentures") of the REIT (together, the "Offering"), and include the proposed acquisition of a portfolio of 292 office, logistics and other commercial properties comprising approximately 12.3 million square feet of gross leaseable area located in Germany (the "Jupiter Portfolio", and, excluding the three properties discussed in note 4(f), referred to in the Prospectus as the "Initial Properties"), to be accounted for as a business combination (the "Acquisition"). The *pro forma* consolidated financial statements have been prepared based on the REIT's April 21, 2011 audited initial financial statement and the Jupiter Portfolio's March 31, 2011 unaudited carve-out financial statements and December 31, 2010 audited carve-out financial statements.

The *pro forma* consolidated balance sheet gives effect to the Offering and the Acquisition as if they had occurred on March 31, 2011. The Jupiter Portfolio amounts in the *pro forma* consolidated balance sheet were obtained from the Jupiter Portfolio unaudited carve-out consolidated financial statements as at March 31, 2011 using the July 15, 2011 10-day average noon exchange rate of C$1.37 for every Euro.

The *pro forma* consolidated statement of comprehensive income for the year ended December 31, 2010 gives effect to the Offering and the Acquisition as if they had occurred on January 1, 2010. The Jupiter Portfolio amounts in the *pro forma* consolidated statement of comprehensive income for the year ended December 31, 2010 were obtained from the Jupiter Portfolio audited carve-out consolidated financial statements for the year ended December 31, 2010 using an average exchange rate for the year of C$1.3661 for every Euro.

The *pro forma* consolidated statement of comprehensive income for the three months ended March 31, 2011 gives effect to the Offering and the Acquisition as if they had occurred on January 1, 2010. The Jupiter Portfolio amounts in the *pro forma* consolidated statement of comprehensive income for the three months ended March 31, 2011 were obtained from the Jupiter Portfolio unaudited carve-out consolidated financial statements for the three months ended March 31, 2011 using an average exchange rate for the three months ended March 31, 2011 of C$1.3487 for every Euro.

The *pro forma* consolidated financial statements do not include the effect of any foreign exchange hedging arrangements as set out in the Prospectus.

The *pro forma* consolidated financial statements are not necessarily indicative of the results that would have occurred had the transactions been consummated at the dates indicated nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. Summary of Significant Accounting Policies

The accounting policies used in the preparation of the *pro forma* financial statements reflect the following accounting policies in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board:

(a) Revenue recognition

Revenue includes rents earned from tenants under lease agreements, realty tax and operating cost recoveries, parking revenue, management fees and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Tenant incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

(b) Amortization

Furniture, fixtures and equipment are amortized on a straight-line basis over a period appropriate to the expenditure, ranging from three to 10 years.

Costs directly attributable to tenant inducements are capitalized. Amortization of such inducements is recorded as a reduction of rental revenue and is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Financing costs are presented with the related debt and amortized using the effective interest rate over the anticipated life of the related debt.

(c) Investment properties

Investment properties are initially recorded at cost and include commercial properties held to earn rental income and/or for capital appreciation. The REIT follows the fair-value model to measure the investment properties, determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise.

(d) Exchangeable Notes

The Exchangeable Notes are entitled to interest payments equivalent to distributions on Units. The Exchangeable Notes are measured at amortized cost.

(e) Foreign currency translation

The historical financial statements of the Jupiter Portfolio are presented in Euros, which is also its functional currency. The presentation currency for the consolidated financial statements of the REIT is Canadian dollars, which is also our functional currency.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period. The resulting foreign currency translation adjustments are recognized in other comprehensive income ("OCI").

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the income statement, except for those related to monetary liabilities qualifying as hedges of the REIT's investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in OCI.

(f) Business Combinations

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the REIT's share of the net assets acquired, the difference is recognized directly in the profit or loss for the year as negative goodwill. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

(g) Convertible debentures

Convertible debentures are separated into two financial liability components: the host instrument and the conversion feature and upon issuance are both measured based on their respective fair values. Subsequent to initial recognition, the host instrument is accounted for at amortized cost and the conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period.

(h) Deferred unit incentive plan

The REIT will have a Deferred Unit Incentive Plan that provides for the grant of Deferred Trust Units and Income Deferred Trust Units to Trustees, officers, employees, and affiliates and their service providers (including DRC). Unvested Deferred Trust Units are recorded as a liability and compensation expense and asset management expense is recognized over the vesting period based upon the fair value of the Deferred Trust Units. Once vested, the liability is remeasured at each reporting date at fair value with changes in fair value being recognized in comprehensive income. Income Deferred Trust Units are accounted for as a distribution and an issuance of Units when the related Deferred Trust Units vest. No amount related to income Deferred Trust Units is recognized in comprehensive income.

(i) Income taxes

The REIT intends to qualify as a mutual fund trust under the Income Tax Act (Canada). The REIT will not be a SIFT provided that the REIT complies at all times with its investment restrictions that preclude the REIT from investing in any entity other than a portfolio investment entity or holding any non-portfolio property. The Trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continues to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the *pro forma* financial statements in respect of the REIT.

The tax expense related to taxable subsidiaries for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The REIT will indirectly own the Initial Properties through the Dundee FCPs. The income tax treatment of non-German residents, such as the Dundee FCP Unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether the Dundee FCP Unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this remaining uncertainty, the REIT has structured its affairs assuming that the Dundee FCP Unitholders would be subject to corporate income tax in Germany and has prepared these *pro forma* financial statements on that basis. The REIT expects that sufficient deductions will be available in determining taxable income, including tax depreciation and reasonable interest expense, which are described in more detail below. Accordingly, the REIT does not expect that the amount of corporate income tax, if any, that would be ultimately determined to be payable by the Dundee FCP Unitholders would be material.

The following assumptions were used in computing current and deferred income taxes included in the *pro forma* financial statements:

- The rate of corporate income tax payable on German taxable income would be 15.825%, including a 5.5% solidarity surcharge;
- Taxable income for German corporate income tax purposes is determined by deducting certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm’s length terms;
- Buildings can generally be depreciated on a straight-line basis at a rate of either 2% or 3% depending on the age of the property; and
- The deduction of interest expense, which must reflect arm’s length terms, is generally restricted by the so-called “interest capping rules”. These rules apply to limit the deduction of all interest expense incurred up to a maximum of 30% of the taxable earnings before interest, tax, depreciation and amortization. However, an exception is available where annual interest expense is less than €3,000 for each taxpayer. For this purpose, each Dundee FCP Unitholder is a separate taxpayer and therefore the total interest deductible under the current structure is approximately $61,600.

3. *Pro Forma* Assumptions and Balance Sheet Adjustments

(a) Issuance of Equity

The REIT is assumed to complete the issue of Units to the public pursuant to the Offering for gross proceeds of $270,000 through the issuance of 27,000,000 Units at $10.00 per Unit. Costs relating to the issuance of Units, including underwriters’ fees, are estimated to be $17,800 and are charged directly to Unitholders’ Equity.

The REIT is assumed to complete the issue of Units to Dundee Realty Corporation and Dundee Corporation for gross proceeds of $120,000 through the issuance of 12,000,000 Units at $10.00 per Unit.

As a result of the above transactions and after deducting acquisition costs of $6,389, Unitholders’ equity is assumed to increase to a total of $366,211.

(b) Issuance of Debt

The REIT is assumed to complete the issue of Debentures to the public pursuant to the Offering for gross proceeds of $140,000 through the issuance of 140,000 Debentures at $1 per Debenture. An amount of $7,049 has been allocated to the conversion feature to reflect its fair value at the date of issuance. Costs relating to the issuance of Debentures, including underwriters’ fees, are estimated to be $5,950 and are charged to the Debentures.

A Subsidiary of the REIT is assumed to complete the issue of Exchangeable Notes to LSF for gross proceeds of $80,000. The notes are exchangeable for Units at a rate of 1 Unit for each $0.01 principal amount of Exchangeable Note.

The REIT is assumed to obtain a Term Loan Credit Facility for gross proceeds of $450,107 (€328,500). Costs relating to the debt issue are estimated to be $9,679 and are charged directly to the Term Loan Credit Facility.

As a result of the above transactions, Debt is assumed to increase to a total of $647,429.

(c) Acquisition of the Initial Properties

The REIT will indirectly own the Initial Properties, being 292 commercial properties located throughout Germany and comprising 12.3 million square feet of gross leaseable area, for consideration of $1,008,964 (€736,470) using the July 15, 2011 10-day average noon exchange rate of C$1.37 for every Euro. Costs relating to the acquisition are estimated to be $6,389 and are charged directly to net income. The acquisition will be financed by way of net proceeds from the issuance of equity and debt as described in notes 3(a) and 3(b) above.

The REIT's sources and uses of funds after completion of the transactions contemplated are as follows:

	Offering of Units	Units to DRC and Dundee Corporation	Exchangeable Notes	Debentures	Term Loan Credit Facility	Total
Proceeds	$270,000	$120,000	$80,000	$140,000	$450,107	$ 1,060,107
Issue costs	17,800	—	—	5,950	9,679	33,429
Net proceeds	$252,200	$120,000	$80,000	$134,050	$440,428	1,026,678
Consideration for the properties acquired						(1,008,964)
Acquisition costs						(6,389)
Increase in cash and cash equivalents						$ 11,325

The estimated net proceeds after completing the transactions described above have increased cash by $11,325

(d) The REIT will not be acquiring the debt and related derivative financial instruments nor the working capital associated with the Jupiter Portfolio and accordingly such amounts of the Jupiter Portfolio have been removed in the *pro forma* consolidated balance sheet, and the Jupiter Portfolio equity has also been removed.

4. *Pro Forma* Assumptions and Statement of Comprehensive Income Adjustments

(a) Interest Expense

Interest expense has been recorded to reflect the interest on the $450,107 of Term Loan Credit Facility at an effective rate of 4.60%, including amortization of costs, $140,000 of Debentures at an effective rate of 7.30%, including amortization of costs and the conversion feature, and $80,000 of Exchangeable Notes at a rate equivalent to expected distributions on a Unit of $0.80 per Unit. Also included in interest expense is amortization of financing costs and discount of $3,275 for the year ended December 31, 2010 and $803 for the three months ended March 31, 2011.

(b) General and administrative and portfolio management expenses

No adjustment has been made to general and administrative expenses to reflect changes to the legal and operating structure through which the REIT will hold its interest in the Jupiter Portfolio. Upon Closing, the REIT will have a different cost structure and will be incurring costs related to the management of the portfolio, the FCP structure and public entity costs in Canada. Please refer to the financial forecast for a discussion of these expenses.

(c) LS lease Agreement

The REIT has assumed that it will enter into a lease with the LS Tenant related to certain space of the Jupiter Portfolio. The minimum rental revenue has been adjusted by $6,943 for the year ended December 31, 2010 and $2,082 for the three months ended March 31, 2011 to reflect the receipt of payments under this lease.

(d) Income taxes

The REIT assumes that on Closing it will qualify as a mutual fund trust and not be a SIFT Trust as described in note 2(i). Accordingly, no net current income tax expense or future income tax assets or liabilities have been recorded in the *pro forma* financial statements in respect of the REIT. Income tax related to taxable subsidiaries has been recorded based on the corresponding assumptions and legislated rates as discussed in note 2(i)

(e) Fair value adjustments

Subsequent to initial recognition, investment properties, the conversion feature of the Debentures, the deferred units and the Exchangeable Notes will be adjusted to their fair values at each reporting period with changes in fair value recorded in net income. For purposes of the *pro forma* consolidated statements of comprehensive income no changes in fair values of the investment properties and the aforementioned financial instruments has been assumed.

(f) Excluded properties

Subsequent to entering into the Framework Agreement and pursuant to the Reallocation Agreement, the REIT had the option of excluding three properties from the Acquisition if the REIT was not satisfied with the results of further due diligence. Upon completion of such due diligence, the REIT has elected to exclude these three properties. These three properties are included in the portfolio of properties defined as the Jupiter Portfolio in the carve-out financial statements. Accordingly, investment property revenue and operating expenses have been reduced by $385 and $238, respectively, for the three month period ended March 31, 2011 and by $1,345 and $688, respectively, for the year ended December 31, 2010 to remove the net rental income attributable to these three excluded properties.

Carve-Out Financial Statements

Independent Auditor's Report

To the Board of Managers of
Lorac Investment Management S.à r.l.
7, rue Robert Stumper
L-2557 Luxembourg

Report on the carve-out financial statements

We have audited the accompanying carve-out financial statements of Jupiter Portfolio, a portfolio of commercial real estate assets, of Lorac Investment Fund (the "Jupiter Portfolio"), which comprise the carve-out statement of financial position as at 31 December 2010, 2009 and 2008, and the carve-out statement of comprehensive income, carve-out statement of changes in equity and carve-out statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

As discussed in Note 1 to the carve-out financial statements, these carve-out financial statements have been prepared pursuant to the sale transaction set out in the Framework Agreement signed between the Management Company of Lorac Investment Fund and Dundee Realty Corporation. The Jupiter Portfolio is a portfolio of commercial real estate assets of Lorac Investment Fund. As of 31 December 2010, 2009 and 2008, the Jupiter Portfolio was not a separately established investment fund or a legal entity and, therefore, the accompanying carve-out financial statements have been prepared from the records of Lorac Investment Fund, which contain evidence of the transactions recorded locally.

Board of Managers of the management company's responsibility for the carve-out financial statements

The Board of Managers of the management company is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards as issued by the IASB and for such internal control as the Board of Managers of the management company determines is necessary to enable the preparation and presentation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers of the management company, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements give a true and fair view of the financial position of the Jupiter Portfolio as of 31 December 2010, 2009 and 2008 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Other matter – restriction of use

As explained in Note 1, these carve-out financial statements of the Jupiter Portfolio and our independent auditor's report thereon are intended for the sole purpose of the initial public offering of Dundee International Real Estate Investment Trust and cannot be used in another context without our prior written consent.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

[Signed] Bruno Di Bartolomeo

Luxembourg, July 18, 2011

Carve-Out Statement of Financial Position as of December 31, 2010, 2009 and 2008
(expressed in EUR)

	Notes	31 December 2010 EUR	31 December 2009 EUR	31 December 2008 EUR
Assets				
Non-current assets				
Investment property	12	663,408,496	579,179,066	589,112,603
		663,408,496	579,179,066	589,112,603
Current assets				
Trade and other receivables		7,079,577	2,440,374	103,904
		7,079,577	2,440,374	103,904
Total assets		670,488,073	581,619,440	589,216,507
Equity and liabilities				
Equity contribution from the Fund		146,098,777	152,269,080	135,801,622
Retained earnings		147,237,776	41,533,541	42,100,287
Total equity		293,336,553	193,802,621	177,901,909
Non-current liabilities				
Interest bearing loans and borrowings	13	—	354,190,467	364,744,423
Derivative financial instruments	16,18	—	15,831,383	16,063,989
		—	370,021,850	380,808,412
Current liabilities				
Interest bearing loans and borrowings	13	358,556,428	14,746,705	22,341,975
Derivative financial instruments	16,18	10,159,716	—	—
Trade and other creditors		8,435,376	3,048,264	8,164,211
		377,151,520	17,794,969	30,506,186
Total liabilities		377,151,520	387,816,819	411,314,598
Total equity and liabilities		670,488,073	581,619,440	589,216,507

The accompanying notes form an integral part of the carve-out financial statements

Carve-Out Statements of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008 (expressed in EUR)

	Notes	For the year ended 31 December 2010 EUR	For the year ended 31 December 2009 EUR	From 28 March 2008 to 31 December 2008 EUR
Rental income	6	58,372,651	55,448,014	26,967,874
Service charge income	6	39,527,678	34,493,429	14,031,185
Service charge expense	8	(45,787,553)	(37,776,640)	(15,682,648)
Other property operating expense	8	(1,855,133)	(1,599,768)	(733,719)
Net rental income		**50,257,643**	**50,565,035**	**24,582,692**
Administration expenses	9	(3,470,233)	(2,935,388)	(2,409,867)
Valuation gains / (losses) from investment property	12	81,450,989	(22,334,510)	44,607,208
Operating profit		**128,238,399**	**25,295,137**	**66,780,033**
Finance income		34,474	619,461	(6)
Finance costs	10	(22,568,638)	(26,481,344)	(24,679,740)
Profit (loss) before tax		**105,704,235**	**(566,746)**	**42,100,287**
Tax expense	15	—	—	—
Profit (loss) for the year / period		**105,704,235**	**(566,746)**	**42,100,287**
Other comprehensive income, net of tax		—	—	—
Total comprehensive income/(loss) for the year/ period		**105,704,235**	**(566,746)**	**42,100,287**

The accompanying notes form an integral part of the carve-out financial statements

Carve-Out Statements of Changes in Equity for the years ended December 31, 2010, 2009 and 2008 (expressed in EUR)

	Equity contribution from the Fund	Retained earnings	Total equity
	EUR	EUR	EUR
At 28 March 2008			
Initial equity contribution from the Fund	156,789,556	—	156,789,556
Movement in equity contribution, net	(20,987,934)	—	(20,987,934)
Profit for the period	—	42,100,287	42,100,287
Other comprehensive income	—	—	—
At 31 December 2008	135,801,622	42,100,287	177,901,909
At 1 January 2009	135,801,622	42,100,287	177,901,909
Movement in equity contribution, net	16,467,458	—	16,467,458
Loss for the year	—	(566,746)	(566,746)
Other comprehensive income	—	—	—
At 31 December 2009	152,269,080	41,533,541	193,802,621
At 1 January 2010	152,269,080	41,533,541	193,802,621
Movement in equity contribution, net	(6,170,303)	—	(6,170,303)
Profit for the year	—	105,704,235	105,704,235
Other comprehensive income	—	—	—
At 31 December 2010	146,098,777	147,237,776	293,336,553

The accompanying notes form an integral part of the carve-out financial statements

Carve-Out Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008
(expressed in EUR)

	Notes	For the year ended 31 December 2010 EUR	For the year ended 31 December 2009 EUR	From 28 March 2008 to 31 December 2008 EUR
Operating activities				
Profit / (loss) before tax		105,704,235	(566,746)	42,100,287
Adjustments to reconcile profit before tax to net cash flows				
Valuation gains / losses on investment property	12	(83,120,903)	20,664,596	(45,442,165)
Net gain/(loss) on fair values of financial instruments		(5,671,667)	(232,606)	19,714,675
Interest on bank loans	10	14,931,473	15,262,465	565,458
		(73,861,097)	35,694,455	(25,162,032)
Working capital adjustments				
(Increase)/decrease in trade and other receivables		(4,639,203)	(2,336,470)	(103,904)
Increase/(decrease) in trade and other creditor		5,387,112	(5,115,947)	8,164,211
Net cash flows from operating activities		**32,591,047**	**27,675,292**	**24,998,562**
Investing activities				
Purchase of investment property		—	—	(522,937,586)
Additional expenditures on investment property	12	(1,108,527)	(10,731,059)	(20,732,852)
Net cash flows used in investing activities		**(1,108,527)**	**(10,731,059)**	**(543,670,438)**
Financing activities				
Proceeds from borrowings		—	2,053,546	393,621,747
Repayment of borrowings		(14,746,705)	(22,341,975)	—
Borrowing arrangement fees		—	—	(6,948,619)
Payment of swap premium		—	—	(3,650,686)
Initial equity contribution from the Fund		—	—	156,789,556
Movement in equity contribution from the Fund		(6,170,303)	16,467,458	(20,987,934)
Interest on bank loans paid		(10,565,512)	(13,123,262)	(152,188)
Net cash flows used in financing activities		**(31,482,520)**	**(16,944,233)**	**518,671,876**
Net increase in cash and cash equivalents		—	—	—
Cash and cash equivalents at the beginning of the period		—	—	—
Cash and cash equivalents at 31 December		**—**	**—**	**—**

The accompanying notes form an integral part of the carve-out financial statements

Notes to the Carve-Out Financial Statements
As of 31 December 2010

Note 1 – General information

The Fund

Lorac Investment Fund (the "Fund") is a "Fonds Commun de Placement-Fonds d'Investissement Spécialisé", established on 28 March 2008 (date of establishment) under the laws of Luxembourg in the form of an unincorporated contractual co-ownership scheme governed by the Specialised Investment Fund Law of 13 February 2007 (the "SIF Law") and by specific management regulations as laid down in the Management Regulations dated 28 March 2008 (the "Management Regulations"), and which appear in Part III to the Private Placement Memorandum (the "Prospectus"), as is amended on April 2009 (also refer to Note 19). The Fund is managed by Lorac Investment Management S.à r.l. (the "Management Company" or the "Management"), a private limited liability company registered in Luxembourg (registration number B 137.635) in the Registre de Commerce et des Sociétés. The Fund is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg regulatory authority.

The objective of the Fund is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements to such real estate investments or renovations and refurbishments in the ordinary course of leasing and letting, renting such real estate investments and selling such real estate investments.

The Management Company

The Management Company was incorporated on 25 March 2008 as a private limited liability company (société à responsabilité limitée) under the laws of Luxembourg and its duration is unlimited.

The Management Company has the exclusive right to manage the Fund and its Sub-Funds and is vested with the powers to administrate and manage the Fund and its Sub-Funds in its own name for the account of the Fund including, but not limited to, the purchase, sale and receipt of real estate investments.

The corporate purpose of the Management Company is the creation, administration and management of the Fund and the issuance of statements or confirmation evidencing undivided co-proprietorship interests in the Fund.

Accordingly, the Board of Managers of the Management Company (the "Board") does not only manage the day to day operations of the Fund, but does also execute all contracts in its own name for the account of the Fund.

As of 31 December 2010, the Management Company offered units in only one Sub-Fund of the Fund ("Sub-Fund I").

The Jupiter Portfolio

On 18 May 2011, the Management Company, acting on its own name but on behalf of Sub-Fund I, has signed a Framework Agreement with, amongst others, Dundee Realty Corporation ("Dundee"). The Framework Agreement sets forth the principal terms and conditions of the indirect acquisition (the "Transaction"), by Dundee International Real Estate Investment Trust (the "REIT") created by Dundee, of a portfolio of commercial real estate assets comprised of 295 commercial properties located in Germany (the "Jupiter Portfolio") and 50% shares in the Management Company and some related entities owning fixtures related to Jupiter Portfolio. The REIT is in the process of raising funds through public offering. Accordingly, these carve-out financial statements have been prepared by the Management Company in connection with such public offering.

As at 31 December 2010, 2009 and 2008, the Jupiter Portfolio was not a separately established investment fund or a legal entity and, therefore, these carve-out financial statements have been prepared from the records of Sub-Fund I, which contains evidence of the transactions recorded locally.

As at July 18, 2011 the Board of Managers of the Management Company of Sub-Fund I has approved these carve-out financial statements.

Note 2 – Basis of preparation

The carve-out financial statements of the Jupiter Portfolio have been prepared on a historical cost basis, except for investment property and derivative financial instruments that have been measured at fair value. The carve-out financial statements are presented in Euros.

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These carve-out financial statements have been prepared from the accounting records of Sub-Fund I. In particular, all captions specific to individual properties (including interest bearing loan and borrowings) have been extracted from Sub-Fund I's records to prepare these carve-out financial statements. General and administrative expenses, related payables, and other receivables have been allocated based on specific

allocation keys from Sub-Fund I's records. Formation costs (including Sub-Fund I's stewardship costs and other corporate costs) for the establishment of Sub-Fund I have not been allocated to the Jupiter Portfolio. Portfolio's equity represents the residual interest in the assets of the Jupiter Portfolio after deducting all its liabilities. Initial equity contribution from the Fund is composed of contribution made by the Fund for the initial acquisition and financing of the investment property. As the Jupiter Portfolio does not have any bank account, movement in equity contribution from the Fund represents net cash flows generated from its activities. Please refer to Note 3 for further details on extraction and allocation of balances.

Note 3 – Significant accounting judgements, estimates and assumptions

The preparation of the carve-out financial statements of the Jupiter Portfolio requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

These carve-out financial statements are not necessarily indicative of the financial position and the results that would have been attained if the Jupiter Portfolio had been operated as a separate investment fund or a legal entity during the periods 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 Transaction.

Judgements other than estimates

In the process of applying the accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in these carve-out financial statements:

Extraction and allocation of balances

The carve-out financial statements have been prepared from the accounting records of Sub-Fund I. Following are the basis used by the Management for extraction and allocation of significant balances for the preparation of the carve-out financial statements:

Captions	Extraction and allocation basis
Investment property	Asset specific records
Loans and borrowing and related costs	Allocated Loan Amount ("ALA") – see below (i)
Derivative financial instruments	ALA
Property related income, expenses, receivables and payables	Asset specific records based on actual reconciliation and transactions
Asset management fees and related payable	Number of assets
Fund management fees and related payable	Number of assets

(i) The term Allocated Loan Amount ("ALA") has been defined in the Credit Facility Agreement dated 28 June 2008 (the "Facility Agreement"), according to which the credit facility had been assigned to each asset based on its fair market value at the time of the acquisition.

Operating lease contracts

Management has entered into commercial property leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property leases and so accounts for the leases as operating leases.

Taxes

The Fund was established in the form of an unincorporated co-ownership scheme governed by the 2007 Act and by the Management Regulations without having its (or its Management Company and Unitholders) seat or place of management in Germany. As such, in view of the Management, Sub-Fund I qualifies as a foreign investment fund according to the German Investment Tax Act and does not maintain a permanent establishment in Germany. Accordingly, Management is of the opinion that Sub-Fund I itself is not subject to German corporate income tax or German trade tax from rental income, interest income from liquidity reserve or profits from the sale of real estate held as assets by Management Company in its own name and for account of Sub-Fund I. Thus and on the basis of historical reporting, discussions and consultations with the local tax authorities, Management estimates that no taxable temporary differences is to be identified in relation to the Fund's operations in Germany.

Estimates

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques i.e. the Discounted Cash Flow Method. The determination of the fair value of investment property requires the use of estimates such as future cash

flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009 and, to a lesser extent, in 2010. Therefore, in arriving at their estimates of market values as at 31 December 2008, 31 December 2009 and 31 December 2010, the Valuer used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the Valuer in estimating the fair value of investment property are set out in Note 12.

Techniques used for valuing investment property

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income, i.e. rental income, non-recoverable expenditures, costs for anticipated renovations and costs during periods of vacancy. As a result, the net operating income ("NOI") will be calculated for each period, reflecting the development of the property over the applied time period. Exit values are based on the exit capitalization rate.

The NOI after taking into account exit values is discounted at market-derived discount rate in order to calculate the Gross Present Value ("GPV") at valuation date. Common costs of a transaction, i.e. stamp duty, land purchase tax, agents, notary are then deducted from the GPV in order to calculate the net present value. The aggregate of the net present values equals the market value ("MV") of the property.

Service charge income

Management estimates the service charges recoverable from the tenants by applying the historical trends of such recoverables, in accordance with the operating lease contracts. Revenue on account of service charges are recognised in these carve-out financial statements based on the Management's best estimations which is subject to actual billing and reconciliation with the tenants.

Note 4 – Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these carve-out financial statements.

Investment property

Investment property comprises property held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Foreign currency translation

The carve-out financial statements are presented in Euros ("EUR"). Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs (including credit facility commitment fees) are expensed in the period in which they occur.

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Management will not be able to collect all amounts due according to the original terms of the receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Revenue recognition

Rental income

Rental income receivable from operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised for the period for which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income.

Derivatives and hedging

Management uses interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gain or losses arising from changes in the fair values of derivatives are recognized in the statement of comprehensive income in the period in which they arise. The Management does not designate any derivatives as hedges in a hedge relationship.

Note 5 – Standards issued but not yet effective

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. The directors have set out below only those which may have a material impact on the carve-out financial statements in future periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The Manager will quantify the effect on the Jupiter Portfolio in conjunction with the other phases, when issued, to present a comprehensive picture.

Note 6 – Revenue

	For the year ended 31 December 2010	For the year ended 31 December 2009	From 28 March 2008 to 31 December 2008
	EUR	EUR	EUR
Rental income*	58,372,651	55,448,014	26,967,874
Service charge income			
Service charge income on operating expenses	36,432,886	32,801,036	13,576,541
Service charge income on maintenance and repairs	3,094,792	1,692,393	454,644
	39,527,678	34,493,429	14,031,185
Total revenue	**97,900,329**	**89,941,443**	**40,999,059**

* Rent income includes an amount of EUR 1,669,914, EUR 1,669,914 and EUR 834,957 for the year ended 31 December 2010, 31 December 2009 and for period ended 31 December 2008 respectively, related to the rent levelling over the period of the lease terms (Note 12).

Note 7 – Operating leases

The Management, acting in its own name but on behalf of Sub-Fund I, has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 3 and 10 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable (excluding service charges) under non-cancellable operating leases as at 31 December are as follows:

	31 December 2010	31 December 2009	31 December 2008
	EUR	EUR	EUR
Within 1 year	57,757,640	58,372,651	55,448,014
After 1 year, but not more than 5 years	225,923,331	227,815,098	230,012,322
More than 5 years	146,354,177	202,220,050	258,395,477
	430,035,148	**488,407,799**	**543,855,813**

Note 8 – Service charge and other property operating expenses

	For the year ended 31 December 2010	For the year ended 31 December 2009	From 28 March 2008 to 31 December 2008
	EUR	EUR	EUR
Service charge expenses			
Operating expenses	39,659,498	35,368,067	15,091,393
Maintenance and repairs	6,128,055	2,408,573	591,255
	45,787,553	**37,776,640**	**15,682,648**
Other property operating expenses			
Property management expenses	1,330,701	1,390,775	733,719
Other	524,432	208,993	—
	1,855,133	**1,599,768**	**733,719**
Total property operating expenses	**47,642,686**	**39,376,408**	**16,416,367**

Note 9 – Administration expenses

	For the year ended 31 December 2010	For the year ended 31 December 2009	From 28 March 2008 to 31 December 2008
	EUR	EUR	EUR
Fund Management fees (Note 14)	426,193	385,373	193,333
Asset Management fees (Note 14)	2,189,435	1,425,441	649,846
Custodian fees	184,286	134,206	79,491
Other general and administrative expenses	647,368	974,642	1,471,880
Subscription tax (Note 15)	22,951	15,726	15,317
	3,470,233	2,935,388	2,409,867

Note 10 – Finance costs

	For the year ended 31 December 2010	For the year ended 31 December 2009	From 28 March 2008 to 31 December 2008
	EUR	EUR	EUR
Interest on bank loans	14,931,473	15,262,465	565,458
Finance costs on derivative instruments, net	7,490,805	11,039,231	19,714,675
Commitment fees	143,763	97,771	4,347,532
Other finance costs	2,597	81,877	52,075
	22,568,638	26,481,344	24,679,740

Note 11 – Segmented information

All the properties included in these carve-out financial statements are located in Germany and majority of them are composed of warehouse assets. As a consequence of the generic nature of the properties and single location, the Management believes that it is appropriate to classify all operations of the Jupiter Portfolio under one operating segment.

Note 12 – Investment property

On 1 April 2008, the Management Company, acting in its own name but on behalf of Sub-Fund I, entered into a Sale Purchase Agreement with Deutsche Post AG and affiliated companies for the purchase of a portfolio of real estate properties.

As explained in Note 1 and in accordance with the Framework Agreement, following are the details of the investment property by region, which are included in Jupiter Portfolio:

German State	Number of assets
Baden-Württemberg	42
Bavaria	36
Berlin	2
Brandenburg	8
Bremen	6
Hamburg	7
Hesse	14
Mecklenburg-West Pomerania	2
Niedersachsen	41
North Rhine-Westphalia	72
Rhineland-Palatinate	14
Saarland	8
Saxony	16
Saxony-Anhalt	12
Schleswig-Holstein	11
Thuringia	4
	295

Movement in Investments property is as follows:

	31 December 2010	31 December 2009	31 December 2008
	Total	Total	Total
	EUR	EUR	EUR
As of 1 January	579,179,066	589,112,603	—
Additions	1,108,527	10,731,059	522,937,586
Transaction costs	—	—	20,732,852
Valuation gains/(losses) (see below)	83,120,903	(20,664,596)	45,442,165
Carrying value as of 31 December	**663,408,496**	**579,179,066**	**589,112,603**

	31 December 2010	31 December 2009	31 December 2008
	Total	Total	Total
	EUR	EUR	EUR
Reconciliation of valuation gain/(losses)			
Total valuation gains/(losses) on investments property	83,120,903	(20,664,596)	45,442,165
Adjustment for rent levelling*	(1,669,914)	(1,669,914)	(834,957)
Net valuation gain / (losses)	**81,450,989**	**(22,334,510)**	**44,607,208**

* This represents the rent levelling over the period of lease term which is included in the rental income (Note 6).

As of 31 December 2010, all the properties are pledged in favour of the Consortium Banks against the loan facility (Note 13).

As set out in Note 3, in arriving at their estimates of fair values, the Valuer have used its market knowledge and professional judgement and not only relied on historical transactional comparables. The valuations were performed by an accredited independent Valuer (the "Valuer"), with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

The valuation has been carried out in accordance with the Standards of the Appraisal and Valuation Manual (6th edition) published by Royal Institution of Chartered Surveyors.

According to the valuation reports prepared by the Valuer, the aggregate estimated market value of the assets in the Jupiter Portfolio was EUR 663,408,496, EUR 579,179,066 and EUR 589,112,603 for 2010, 2009 and 2008, respectively. In arriving at the estimated MV for the real estate properties, the Valuer has applied a DCF ("discounted cash flow") approach considering several valuation assumptions and real estate valuation techniques.

Real estate values can be affected by a number of factors including changes to global or local economic conditions, local market conditions, the financial conditions of tenants, the availability of debt financing, changes in interest rates, real estate tax rates and other operational expenses, environmental laws and regulations, planning laws and other governmental legislation, energy prices, the relative popularity of real estate types or locations and other factors which are beyond the control of the Management Company. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

The market value is largely based on estimates, real estate valuation techniques and other valuation methods as outlined above. Such estimates are inherently subjective and actual values can only be determined in a sales transaction. Therefore, no assurance can be given that any given real estate properties could be sold at a price equal to the market value ascribed to it.

In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. As a consequence, there has been a significant reduction in market evidence upon which the Valuer has based the valuation of the assets and so they have had to exercise a greater degree of judgment than usual. The Valuer has considered both current and historic market evidence available in order to reflect current market sentiment. Please refer to Note 3, for further detail on judgment and estimation involves in determining fair value of investments property.

The significant assumptions made relating to valuations are set out below:

	31 December 2010	31 December 2009	31 December 2008
Passing rent per sqm (EUR)	48.33	48.60	45.66
Estimated rental value (market rent) per sqm (EUR)	55.77	41.34	44.79
Average net initial yield	13.077%	16.274%	17.656%
Inflation rate	1.670%	0.936%	1.136%
Vacancy rate	15.042%	15.304%	21.426%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

	31 December 2010	31 December 2009	31 December 2008
	EUR	EUR	EUR
Increase in yield of 25bps	(16,862,246)	(11,956,990)	(13,773,146)
Decrease in rental rates of 5%	(21,355,436)	(24,274,063)	(27,046,464)

Note 13 – Interest-bearing loans and borrowings

	Effective interest rate	Maturity	31 December 2010	31 December 2009	31 December 2008
	%		EUR	EUR	EUR
Bank Loan	4.050%	28-Jun-12	358,556,428	368,937,172	387,086,398
			358,556,428	**368,937,172**	**387,086,398**

On 28 June 2008, the Management Company, acting in its own name but on behalf of Sub-Fund I, entered into a Facility Agreement with Eurohypo Aktiengesellschaft, Natixis Zweigniederlassung Deutschland, Societe Generale Corporate and Investment Banking and Dekabank Deutsche Girozentrale ("Consortium Banks"). In accordance with the arrangement, Eurohypo Aktiengesellschaft is acting as a facility agent and security agent. The total amount of the credit facility for Sub-Fund I is EUR 710,000,000.

As explained in Note 3, an aggregate initial gross loan amount of EUR 393,621,747 has been allocated to the Jupiter Portfolio.

The initial maturity date of the facility is 28 June 2011. The maturity date can be extended twice by one year each. Subsequent to the year ended 31 December 2010, the Management Company, acting in its own name but on behalf of Sub-Fund I has requested to the Consortium Banks for an extension of the maturity of the bank loan for one year. The Consortium Banks gave its consent to that extension request on 9 May 2011. The bank loan maturity date is therefore extended to 28 June 2012. However, as a result of the Transaction, the Management is expecting to settle this bank loan in 2011. Therefore, in 2010, the loan is classified as current liability.

The break-up of the loan is as follows:

	31 December 2010	31 December 2009	31 December 2008
	EUR	EUR	EUR
Non-current portion	—	354,190,467	364,744,423
Current portion	358,556,428	14,746,705	22,341,975
	358,556,428	**368,937,172**	**387,086,398**

Under the terms of the loan agreement, Sub-Fund I must maintain an Interest Cover Ratio ("ICR") of 115% for each quarter. At the interest payment date of 10 November 2010 the ICR of Sub-Fund I was 288%.

Furthermore, under the terms of the loan agreement, Sub-Fund I has to maintain a Loan to Value ratio ("LTV") at 70% at the interest payment date of 10 November 2010. At the interest payment date of 10 November 2010, the LTV of Sub-Fund I was 57.62%.

At the first quarter of 2011 as well as during the whole year 2010, Sub-Fund I has met all the target financial covenants.

The long term bank loan bears interest at a rate of 3 month Euribor plus 2% margin per annum.

The interest rate risk has been hedged for by means of swaps and interest caps, (Note 18).

The loan facility is secured with the following:

- The unitholders of Sub-Fund I have entered into a pledge agreement with the Consortium Banks and pledged all the units of Sub-Fund I in favour of the Consortium Banks;
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a pledge agreement with Eurohypo Aktiengesellschaft and pledged all the properties in favour of the Consortium Banks;
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a pledge agreement with the Consortium Banks and pledged rent accounts, operating accounts, cash reserve account, disposal proceeds account, disposal reserve account and purchase price reserve account of Sub-Fund I in favour of the Consortium Banks; and
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a global security assignment agreement with Eurohypo Aktiengesellschaft and secured all claims of the Consortium Banks by way of assigning Eurohypo Aktiengesellschaft all its receivables and related rights of receivables arising from any assets of Sub-Fund I.

Note 14 – Transactions with related parties

Sub-Fund I, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions comprise services received from related parties. These transactions have been carried out on the basis of agreed terms. The significant transactions with related parties during the period were as follows:

Related Party	Service received	Amount owed to related party	Amount owed by related party
	EUR	EUR	EUR
2010			
Lorac Investment Management S.à r.l. (see (i))	426,193	54,097	—
Hudson Advisors Luxembourg S.à r.l. (see (ii)	2,189,435	717,613	—
2009			
Lorac Investment Management S.à r.l. (see (i))	385,373	—	9,259
Hudson Advisors Luxembourg S.à r.l. (see (ii)	1,425,441	270,808	—
2008			
Lorac Investment Management S.à r.l. (see (i))	193,333	109,070	—
Hudson Advisors Luxembourg S.à r.l. (see (ii)	649,846	249,108	—

Terms and conditions of transactions with related parties

(i) Fund management fee

In consideration of the management services rendered by the Management Company in relation to Sub-Fund I, the Management Company is entitled to receive a management fee based on actual costs of the Management Company plus a 10% margin. Fund management fee is included in the "Administration expenses" in the statement of comprehensive income and related payables and receivables are recorded in "Trade and other creditors" and in "Trade and other receivables" in the statement of financial position. As described in Note 3, this fee is allocated to Jupiter Portfolio based on number of assets.

(ii) Asset management fee

The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into an Asset Management Agreement with Hudson Advisors Luxembourg S.à r.l. The asset managers are entitled to receive an asset management fee, at a monthly fee based on a rate applied to the purchase price of real estate assets, as defined in the Asset Management Agreement. Asset management fee is included in the "Administration expenses" in the statement of comprehensive income and related payables are recorded in "Trade and other creditors" in the financial position. As described in Note 3, this fee is allocated to Jupiter Portfolio based on number of assets.

On 13 October 2010, the Board has resolved for an amendment in the asset management agreement and accordingly subsequent to year ended 31 December 2010, an amendment has been signed with the asset managers of the Fund. According to this amendment, the new asset management monthly fee rate is effective as from 1 January 2010 (see also Note 19).

Note 15 – Taxes

Sub-Fund I is currently not liable to any tax on profits or income, nor are distributions paid by the Fund liable to any Luxembourg withholding tax, except subjection to the provisions of the law dated 21 June 2005 implementing Council Directive 2003/48/EC on the taxation on savings income. Accordingly, no taxable temporary differences are identified (see Note 3 for further details).

	31 December 2010	31 December 2009	31 December 2008
	EUR	EUR	EUR
Current tax	—	—	—
Deferred tax	—	—	—
Total income tax	—	—	—

A reconciliation between tax expense and the product of accounting profit multiplied by the theoretical tax rate during the year ended as of 31 December is as follows:

	31 December 2010	31 December 2009	31 December 2008
	EUR	EUR	EUR
Accounting profit/(loss) before tax	105,704,235	(566,746)	42,100,287
Theoretical tax rate	0%	0%	0%
Theoretical income tax	—	—	—

However, Sub-Fund I is liable in Luxembourg to a subscription tax (taxe d'abonnement) of 0.01% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of Sub-Fund I at the end of the relevant quarter calendar. No Luxembourg tax is payable on the realized capital appreciation of the assets of Sub-Fund I.

The accrued subscription tax payable for the fiscal year amounts to EUR 22,951(2009: EUR 15,726 and 2008: EUR 15,317) is included in Trade and other creditors.

Note 16 – Financial risk management objectives and policies

The Jupiter Portfolio's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of the Jupiter Portfolio's loans and borrowings is to finance the acquisition of property portfolio. The Jupiter Portfolio has trade and other receivables and trade and other creditors that arise directly from its operations.

The Jupiter Portfolio is exposed to market risk, credit risk and liquidity risk.

Sub-Fund I's senior management oversees the management of these risks. As such, Sub-Fund I's senior management is supported by an asset manager that advises on financial risks and the appropriate financial risk governance framework for Sub-Fund I.

The Management Company reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by Sub-Fund I that are affected by market risk are principally the derivative financial instruments.

The sensibility analysis in the following sections reflects the position as at 31 December 2010, 2009 and 2008.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Sub-Fund I's exposure to the risk of changes in market interest rates relates primarily to Sub-Fund I's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Management enters into interest rate swaps, caps and call swaptions, in which Sub-Fund I agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The analysis below describes reasonably possible movements in interest rates for the Jupiter Portfolio with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

	Increase/(decrease) in basis points	Effect on equity	Effect on profit before tax
	EUR	**EUR**	**EUR**
2010			
Euribor	+15	1,185,359	588,616
Euribor	–15	(1,185,359)	(588,616)
2009			
Euribor	+15	596,743	575,798
Euribor	–15	(596,743)	(575,798)
2008			
Euribor	+15	20,945	20,945
Euribor	–15	(20,945)	(20,945)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Jupiter Portfolio is mainly exposed to credit risk from its leasing activities and from its financing activities and derivatives.

Credit risk is managed by requiring tenants to pay rents in advance. The credit quality of the tenants is monitored by the asset manager on a regular basis.

Credit risk related to the derivative financial instrument is managed by entering into the derivative financial instrument with the same Consortium Banks to whom the Fund has Facility Agreement.

Liquidity risk

The management's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

The table below summarises the maturity profile of the Jupiter Portfolio's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	967,339	357,619,274	—	—	358,586,614
Derivative financial instruments	—	—	10,159,716	—	—	10,159,716
Trade and other creditors	—	8,200,143	—	235,233	—	8,435,376
	—	9,167,482	367,778,990	235,233	—	377,181,706

Year ended 31 December 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	2,723,571	12,023,134	358,586,614	—	373,333,318
Derivative financial instruments	—	—	—	15,831,383	—	15,831,383
Trade and other creditors	—	2,975,788	—	72,476	—	3,048,264
	—	5,699,359	12,023,134	374,490,473	—	392,212,965

Year ended 31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	14,429,479	5,858,950	373,333,318	—	393,621,747
Derivative financial instruments	—	—	—	16,063,989	—	16,063,989
Trade and other creditors	—	729,168	—	7,435,043	—	8,164,211
	—	15,158,647	5,858,950	396,832,350	—	417,849,947

The disclosed amounts for interest-bearing loans and borrowings are based on the expected cash flow on account of nominal amounts.

The Management is expecting to use the proceeds from the Transaction to settle the interest bearing loan and related financial instruments.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of financial instruments for the Jupiter Portfolio.

	Carrying amount			Fair value		
	2010	2009	2008	2010	2009	2008
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Trade and other receivables	7,079,577	2,440,374	103,904	7,079,577	2,440,374	103,904
	7,079,577	2,440,374	103,904	7,079,577	2,440,374	103,904
Financial liabilities						
Interest-bearing loans and borrowings	358,556,428	368,937,172	387,086,398	358,586,614	373,333,318	393,621,747
Derivative financial instruments	10,159,716	15,831,383	16,063,989	10,159,716	15,831,383	16,063,989
Trade and other creditors	8,435,376	3,048,264	8,164,211	8,435,376	3,048,264	8,164,211
	377,151,520	387,816,819	411,314,598	377,181,706	392,212,965	417,849,947

The fair value of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs
- The fair value of the derivative interest rate swap, cap and call swaption contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

Year ended 31 December 2010	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
Derivative financial instruments	—	—	10,159,716	10,159,716
Year ended 31 December 2009				
Derivative financial instruments	—	—	15,831,383	15,831,383
Year ended 31 December 2008				
Derivative financial instruments	—	—	16,063,989	16,063,989

* Explanation of the fair value hierarchy:

- Level 1– quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – use of a model with inputs that are not based on observable market data.

Note 17 – Capital management

Sub-Fund I's objectives when managing capital are to safeguard Sub-Fund I's ability to continue as a going concern in order to provide returns for Unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Sub-Fund I's capital management activities are conducted by the Fund as a whole. Sub-Fund I does not manage capital for the Jupiter Portfolio on a standalone basis, and accordingly a discussion on capital management is not relevant in these carve-out financial statements.

Note 18 – Derivative financial Instruments

Due to the floating interest rates inherent to the Facility Agreement, Sub-Fund I has entered into interest rate swap, interest rate cap and call swaption agreements with the various loan counterparts to hedge the interest rate exposures.

The allocated Mark To Market ("MTM") values of the derivative financial instruments are as follows:

Financial Institution	Financial Instrument	Strike Rate	Trade Date	Maturity Date	MTM as at 31 December 2010	MTM as at 31 December 2009	MTM as at 31 December 2008
					EUR	EUR	EUR
Natixis	Interest rate Swap	4.70%	2-Jul-08	18-Aug-11	—	4,049,329	4,063,189
Deka Bank	Interest rate Swap	4.70%	3-Jul-08	18-Aug-11	—	4,020,944	4,034,992
Eurohypo AG	Interest rate Swap	4.70%	4-Jul-08	18-Aug-11	—	4,075,585	4,230,249
Bayern LB	Interest rate Swap	4.70%	29-Jul-08	18-Aug-11	—	1,763,820	1,825,205
Société Générale	Interest rate Swap	4.70%	18-Dec-08	18-Aug-11	—	2,763,538	2,856,254
Natixis	Interest rate Swap	3.75%	27-Jan-10	10-Feb-13	3,209,150	—	—
Deka Bank	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	3,183,760	—	—
Eurohypo AG	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	3,227,937	—	—
Bayern LB	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	1,391,702	—	—
Société Générale	Interest rate Swap	3.75%	27-Jan-10	11-Feb-13	2,227,039	—	—
Deka Bank	Interest rate Cap	4.70%	3-Jul-08	10-Aug-11	—	(18,362)	(65,589)
Société Générale	Interest rate Cap	4.70%	4-Jun-08	10-Aug-11	—	(37,256)	(117,046)
Eurohypo AG	Interest rate Cap	4.70%	4-Jul-08	10-Aug-11	—	(23,104)	(61,665)
Deka Bank	Interest rate Cap	5.20%	3-Jul-08	28-Jun-13	(49,207)	(153,647)	(135,698)
Société Générale	Interest rate Cap	5.20%	17-Jun-08	12-Aug-13	(117,451)	(395,939)	(335,089)
Eurohypo AG	Interest rate Cap	5.20%	4-Jul-08	28-Jun-13	(61,594)	(213,525)	(230,813)
Natixis	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(732,131)	—	—
Deka Bank	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(720,663)	—	—
Eurohypo AG	Call Swaption	2.10%	27-Jan-10	11-Feb-13	(730,811)	—	—
Bayern LB	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(130,611)	—	—
Société Générale	Call Swaption	2.10%	27-Jan-10	10-Feb-13	(537,404)	—	—
TOTAL					**10,159,716**	**15,831,383**	**16,063,989**

Note 19 – Subsequent events

Subsequent to the year ended 31 December 2010, the Management Company, acting in its own name but on behalf of Sub-Fund I, has amended the property management agreement and increased the property management fee, which is effective from 1 January 2011.

On 11 February 2011, the Board has amended the Prospectus and in particular, the Section 17 of Appendix I to the Prospectus reflecting the "Fee of the management Company and the Asset Manager". The amendment of the Prospectus has been made to reflect the revision of the asset management fee (Note 14).

Subsequent to the year ended 31 December 2010, the Management Company, acting in its own name but on behalf of Sub-Fund I, and the Consortium Banks have agreed extend the maturity date of the bank loan for one year. The maturity date of the bank loan is extended to 28 June 2012 (Note 13).

Interim Carve-Out Financial Statements (Unaudited)

Interim Carve-Out Statements of Financial Position as of March 31, 2011 and 2010
(expressed in EUR)

	Notes	31 March 2011 Unaudited EUR	31 December 2010 Audited EUR
Assets			
Non-current assets			
Investment property	8	745,000,000	663,408,496
		745,000,000	663,408,496
Current assets			
Trade and other receivables		7,772,023	7,079,577
		7,772,023	7,079,577
Total assets		**752,772,023**	**670,488,073**
Equity and liabilities			
Equity contribution from the Fund		143,849,958	146,098,777
Retained earnings		236,741,031	147,237,776
Total equity		**380,590,989**	**293,336,553**
Current liabilities			
Interest bearing loans and borrowings	9	358,336,210	358,556,428
Derivative financial instruments	13	8,900,801	10,159,716
Trade and other creditors		4,944,023	8,435,376
		372,181,034	377,151,520
Total liabilities		**372,181,034**	**377,151,520**
Total equity and liabilities		**752,772,023**	**670,488,073**

The accompanying notes form an integral part of the interim condensed carve-out financial statements

Interim Carve-Out Statements of Comprehensive Income for the three months ended March 31, 2011 and 2010 (expressed in EUR)

	Notes	For the three months ended 31 March 2011 Unaudited EUR	For the three months ended 31 March 2010 Unaudited EUR
Rental income	14	14,672,674	13,998,365
Service charge income	14	9,381,465	11,303,183
Service charge expense	15	(10,901,537)	(12,655,721)
Other property operating expense	15	(505,447)	(326,576)
Net rental income		**12,647,155**	**12,319,251**
Administration expenses		(770,998)	(564,853)
Valuation gains / (losses) on investment property	8	81,108,453	(417,479)
Operating profit		**92,984,610**	**11,336,919**
Finance income		4,345	(532)
Finance costs		(3,485,700)	(8,177,352)
Profit before tax		**89,503,255**	**3,159,035**
Tax expense	11	—	—
Profit for the period		**89,503,255**	**3,159,035**
Other comprehensive income, net of tax		—	—
Total comprehensive income for the period		**89,503,255**	**3,159,035**

The accompanying notes form an integral part of the interim condensed carve-out financial statements

Interim Carve-Out Statements of Changes in Equity for the three months ended March 31, 2011 and 2010 (expressed in EUR)

	Equity contribution from the Fund	Retained earnings	Total equity
	Unaudited EUR	Unaudited EUR	Unaudited EUR
At 1 January 2010	152,269,080	41,533,541	193,802,621
Movement in equity contribution, net	(869,023)	—	(869,023)
Profit for the period	—	3,159,035	3,159,035
Other comprehensive income	—	—	—
At 31 March 2010	151,400,057	44,692,576	196,092,633
At 1 January 2011	146,098,777	147,237,776	293,336,553
Movement in equity contribution, net	(2,248,819)	—	(2,248,819)
Profit for the period	—	89,503,255	89,503,255
Other comprehensive income	—	—	—
At 31 March 2011	143,849,958	236,741,031	380,590,989

The accompanying notes form an integral part of the interim condensed carve-out financial statements

Interim Carve-Out Statements of Cash Flows for the three months ended March 31, 2011 and 2010 (expressed in EUR)

	Notes	For the three months ended 31 March 2011 Unaudited EUR	For the three months ended 31 March 2010 Unaudited EUR
Operating activities			
Profit before tax		89,503,255	3,159,035
Adjustments to reconcile profit before tax to net cash flows			
Valuation gains / losses on investment property	8	(81,525,932)	—
Net gain/(loss) on fair values of financial instruments		(1,258,915)	612,057
Interest on bank loans		3,618,010	3,714,813
		(79,166,837)	4,326,870
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(692,446)	(3,775,343)
Increase/(decrease) in trade and other creditor		(3,491,353)	2,549,218
Net cash flow from operating activities		**6,152,619**	**6,259,780**
Investing activities			
Additional expenditure on investment property	8	(65,571)	—
Net cash flow used in investing activities		**(65,571)**	**—**
Financing activities			
Repayment of borrowings		(967,339)	(2,723,571)
Movement in equity contribution from the Fund		(2,248,819)	(869,023)
Interest on bank loans paid		(2,870,890)	(2,667,186)
Net cash flow used in financing activities		**(6,087,048)**	**(6,259,780)**
Net increase in cash and cash equivalents		—	—
Cash and cash equivalents at the beginning of the period		—	—
Cash and cash equivalents at 31 March		**—**	**—**

The accompanying notes form an integral part of the interim condensed carve-out financial statements

Notes to the Interim Carve-Out Financial Statements
As of 31 March 2011

Note 1 – General information

The Fund

Lorac Investment Fund (the "Fund") is a "Fonds Commun de Placement-Fonds d'Investissement Spécialisé", established on 28 March 2008 (date of establishment) under the laws of Luxembourg in the form of an unincorporated contractual co-ownership scheme governed by the Specialised Investment Fund Law of 13 February 2007 and by specific management regulations as laid down in the Management Regulations dated 28 March 2008 (the "Management Regulations"), and which appear in Part III to the Private Placement Memorandum (the "Prospectus"), as amended on April 2009. The Fund is managed by Lorac Investment Management S.à r.l. (the "Management Company" or the "Management"), a private limited liability company registered in Luxembourg (registration number B 137.635) in the Registre de Commerce et des Sociétés. The Fund is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg regulatory authority.

The objective of the Fund is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements to such real estate investments or renovations and refurbishments in the ordinary course of leasing and letting, renting such real estate investments and selling such real estate investments.

The Management Company

The Management Company was incorporated on 25 March 2008 as a private limited liability company (société à responsabilité limitée) under the laws of Luxembourg and its duration is unlimited.

The Management Company has the exclusive right to manage the Fund and its Sub-Funds and is vested with the powers to administrate and manage the Fund and its Sub-Funds in its own name for the account of the Fund including, but not limited to, the purchase, sale and receipt of real estate investments.

The corporate purpose of the Management Company is the creation, administration and management of the Fund and the issuance of statements or confirmation evidencing undivided co proprietorship interests in the Fund.

Accordingly, Board of Managers of the Management Company (the "Board") does not only manage the day to day operations of the Fund, but does also execute all contracts in its own name but on behalf of the Fund.

As of 31 March 2011, the Management Company offered units in only one Sub-Fund ("Sub-Fund I").

The Jupiter Portfolio

On 18 May 2011, the Management Company, acting on its own name but on behalf of Sub-Fund I, has signed a Framework Agreement with, amongst others, Dundee Realty Corporation ("Dundee"). The Framework Agreement sets forth the principal terms and conditions of the indirect acquisition (the "Transaction"), by Dundee International Real Estate Investment Trust (the "REIT") created by Dundee, of a portfolio of commercial real estate assets comprised of 295 commercial properties located in Germany (the "Jupiter Portfolio") and 50% shares in the Management Company and some related entities owning fixtures related to Jupiter Portfolio. The REIT is in the process of raising funds through public offering. Accordingly, these carve-out financial statements have been prepared by the Management Company in connection with such public offering.

As of 31 March 2011, the Jupiter Portfolio was not a separately established investment fund or a legal entity and, therefore, these interim condensed carve-out financial statements have been prepared from the records of Sub-Fund I, which contains evidence of the transactions recorded locally.

As at July 18, 2011 the Board of Managers of the Management Company of Sub-Fund I has approved these interim condensed carve-out financial statements.

Note 2 – Basis of preparation

The interim condensed carve-out financial statements for the three months ended 31 March 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the IASB.

The interim condensed carve-out financial statements do not include all the information and disclosures required in the full set of carve-out financial statements, and should be read in conjunction with the Jupiter Portfolio's carve-out financial statements for the year ended 31 December 2010.

These interim condensed carve-out financial statements have been prepared from the accounting records of Sub-Fund I. In particular, all captions specific to individual properties (including interest bearing loan and borrowings) have been extracted from Sub-Fund I's records to prepare these carve-out financial statements. General and administrative expenses, related payables, and other receivables have been allocated

based on specific allocation keys from Sub-Fund I's records. Formation costs (including Sub-Fund I's stewardship costs and other corporate costs) for the establishment of Sub-Fund I have not been allocated to the Jupiter Portfolio. Portfolio's equity represents the residual interest in the assets of the Jupiter Portfolio after deducting all its liabilities. As the Jupiter Portfolio does not have any bank account, movement in equity contribution from the Fund represents net cash flows generated from its activities. Please refer Note 3 for further details on extraction and allocation of balances.

Note 3 – Significant accounting judgements, estimates and assumptions

The preparation of the interim condensed carve-out financial statements of the Jupiter Portfolio requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

These interim condensed carve-out financial statements are not necessarily indicative of the financial position and the results that would have been attained if the Jupiter Portfolio had been operated as a separate investment fund or a legal entity during the periods 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 Transaction.

Judgements other than estimates

In the process of applying the accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in these interim condensed carve-out financial statements:

Extraction and allocation of balances

The interim condensed carve-out financial statements have been prepared from the accounting records of Sub-Fund I. Following are the basis used by the Management for extraction and allocation of significant balances for the preparation of the interim condensed carve-out financial statements:

Captions	Extraction and allocation basis
Investment property	Asset specific records
Loans and borrowing and related costs	Allocated Loan Amount ("ALA") – see below(i)
Derivative financial instruments	ALA
Property related income, expenses, receivables and payables	Asset specific records based on actual reconciliation and transactions
Asset management fees and related payable	Number of assets
Fund management fees and related payable	Number of assets

(i) The term Allocated Loan Amount (ALA) has been defined in the Credit Facility Agreement dated 28 June 2008 (the "Facility Agreement"), according to which credit facility had been assigned to each asset based on its fair market value at the time of the acquisition.

Operating lease contracts

The Management has entered into commercial property leases on its investment property portfolio. The Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Estimates

Taxes

The Fund was established in the form of an unincorporated co-ownership scheme governed by the 2007 Act and by the Management Regulations without having its (or its Management Company and Unitholders) seat or place of management in Germany. As such, in view of the Management, Sub-Fund I qualifies as a foreign investment fund according to the German Investment Tax Act and does not maintain a permanent establishment in Germany. Accordingly, Management is of the opinion that Sub-Fund I itself is not subject to German corporate income tax or German trade tax from rental income, interest income from liquidity reserve or profits from the sale of real estate held as assets by Management Company in its own name and for account of Sub-Fund I. Thus and on the basis of historical reporting, discussions and consultations with the local tax authorities, Management estimates that no taxable temporary differences is to be identified in relation to the Fund's operations in Germany.

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques i.e. the Discounted Cash Flow Method. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009 and, to a lesser extent, in 2011. Therefore, in arriving at their estimates of market values as at 31 March 2011, the Valuer used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

Techniques used for valuing investment property

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income, i.e. rental income, non-recoverable expenditures, costs for anticipated renovations and costs during periods of vacancy. As a result, the net operating income (NOI) will be calculated for each period, reflecting the development of the property over the applied time period. Exit values are based on the exit capitalization rate.

The NOI after taking into account exit values is discounted at market-derived discount rate in order to calculate the Gross Present Value (GPV) at valuation date. Common costs of a transaction, i.e. stamp duty, land purchase tax, agents, notary are then deducted from the GPV in order to calculate the net present value. The aggregate of the net present values equals the market value of the property.

Service charge income

Management estimates the service charges recoverable from the tenants by applying the historical trends of such recoverables, in accordance with the operating lease contracts. Revenue on account of service charges are recognised in these carve-out financial statements based on the Management's best estimations which is subject to actual billing and reconciliation with the tenants.

Note 4 – Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed carve-out financial statements are consistent with those followed in the preparation of the Jupiter Portfolio's carve-out financial statements for the year ended 31 December 2010.

Note 5 – Standards issued but not yet effective

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these carve-out financial statements. The directors have set out below only those which may have a material impact on the interim condensed carve-out financial statements in future periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The Manager will quantify the effect on the Jupiter Portfolio in conjunction with the other phases, when issued, to present a comprehensive picture.

Note 6 – Seasonality of operations

Considering the nature of the business, property related revenues and costs are occurred smoothly over the accounting period. No additional disclosure, therefore, needs to be made in the interim condensed carve-out financial statements as a result of seasonality.

Note 7 – Segmental information

All the properties included in these interim condensed carve-out financial statements are located in Germany and majority of them are composed of warehouse assets. As a consequence of the generic nature of the properties and single location, the Management believes that it is appropriate to classify all operations of the Jupiter Portfolio under one operating segment.

Note 8 – Investments property

On 1 April 2008, the Management Company acting in its own name for the account of Sub-Fund I entered into a Sale Purchase Agreement with Deutsche Post AG and affiliated companies for the purchase of a portfolio of real estate properties.

As fully explained in Note 1 and in accordance with the Framework Agreement, following the details of the real estate assets, which are included in Jupiter Portfolio:

German State	Number of assets
Baden-Württemberg	42
Bayern	36
Berlin	2
Brandenburg	8
Bremen	6
Hamburg	7
Hesse	14
Mecklenburg-West Pomerania	2
Niedersachsen	41
North Rhine-Westphalia	72
Rhineland-Palatinate	14
Saarland	8
Saxony	16
Saxony-Anhalt	12
Schleswig-Holstein	11
Thuringia	4
	295

Movements in investment property is as follows:

	31 March 2011	31 December 2010
	Unaudited EUR	Audited EUR
As of 1 January	663,408,496	579,179,066
Additions	65,572	1,108,527
Valuation gains	81,525,932	83,120,903
Carrying value at the end of period	**745,000,000**	**663,408,496**

	31 March 2011	31 December 2010
Reconciliation of valuation gains	Unaudited EUR	Audited EUR
Valuation gains on investments property	81,525,932	83,120,903
Adjustment for rent levelling*	(417,479)	(1,669,914)
Net valuation gains	**81,108,453**	**81,450,989**

* This represents the rent levelling over the period of lease term which is included in the rental income.

All properties are pledged in favour of the Consortium Banks against the loan facility (Note 9).

As of 31 December 2010, fair values of the investment property are determined by an Independent Valuer (the "Valuer"). The valuations were performed by an accredited independent Valuer, with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. According to the valuation reports prepared by the Valuer, the aggregate estimated market value of the assets in the Jupiter Portfolio was EUR 663,408,496 for 2010. In arriving at the estimated MV for the real estate properties, the Valuer has applied a DCF ("discounted cash flow") approach considering several valuation assumptions and real estate valuation techniques.

The carrying value of the investment property estimated by Management as at 31 March 2011, is based on the Transaction (as fully explained in Note 1), which in view of Management represents the best current estimate of the fair value of the properties underlying Jupiter Portfolio. This carrying value also includes the consideration related to the 50% shares in the Management Company and some related entities owning fixtures related to the Jupiter Portfolio.

This consideration is subject to formalization of Reallocation Agreement and will be allocated accordingly, in the second half of 2011. However, the Management estimates that the consideration to be allocated for the shares in the Management Company and related entities owning fixtures related to the Jupiter Portfolio would be less than EUR 2 million.

Note 9 – Interest-bearing loans and borrowings

	Effective interest rate	Maturity	31 March 2011	31 December 2010
			Unaudited	Audited
	%		EUR	EUR
Bank Loan	4.05%	28-Jun-11	358,336,210	358,556,428
			358,336,210	**358,556,428**

On 28 June 2008, the Management Company, acting in its own name but on behalf of Sub-Fund I entered into a Facility Agreement with Eurohypo Aktiengesellschaft, Natixis Zweigniederlassung Deutschland, Societe Generale Corporate and Investment Banking and Dekabank Deutsche Girozentrale ("Consortium Banks"). In accordance with the arrangement, Eurohypo Aktiengesellschaft is acting as a facility agent and security agent. The total amount of the credit facility for Sub-Fund I is EUR 710,000,000.

The initial maturity date of the facility is 28 June 2011. The maturity date can be extended twice by one year each. Subsequent to the year ended 31 December 2010, the Management Company, acting in its own name but on behalf of Sub-Fund I has requested to the Consortium Banks for an extension of the maturity of the bank loan for one year. The Consortium Banks gave its consent to that extension request on 9 May 2011. The loan maturity date is therefore extended to 28 June 2012. However, as a result of the Transaction, the Management is expecting to settle this bank loan in 2011. Therefore, the loan is classified as current liability.

Under the terms of the loan agreement, Sub-Fund I must maintain an Interest Cover Ratio ("ICR") of 115% for each quarter. At the interest payment date of 10 February 2011 the ICR of Sub-Fund I was 320%.

Furthermore, under the terms of the loan agreement, Sub-Fund I has to maintain a Loan to Value ratio ("LTV") at 70% at the interest payment date of 10 November 2010. At the interest payment date of 10 February 2011, the LTV of Sub-Fund I was 50.51%.

The long-term bank loan bears interest at a rate of 3 month Euribor plus 2% margin per annum.

The interest rate risk has been hedged for by means of swaps, interest caps and call swaptions (Note 13).

The loan facility is secured with the following:

- The unitholders of Sub-Fund I have entered into a pledge agreement with the Consortium Banks and pledged all the units of the Fund in favour of the Consortium Banks;
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a pledge agreement with Eurohypo Aktiengesellschaft and pledged all the properties in favour of the Consortium Banks;
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a pledge agreement with the Consortium Banks and pledged rent accounts, operating accounts, cash reserve account, disposal proceeds account, disposal reserve account and purchase price reserve account of Sub-Fund I in favour of the Consortium Banks; and
- The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into a global security assignment agreement with Eurohypo Aktiengesellschaft and secured all claims of the Consortium Banks by way of assigning Eurohypo Aktiengesellschaft all its receivables and related rights of receivables arising from any assets of Sub-Fund I.

Note 10 – Transactions with related parties

Sub-Fund I, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions comprise services received from related parties. These transactions have been carried out on the basis of agreed terms. The significant transactions with related parties during the period were as follows:

	As at 31 March 2011		
Related party	Service received	Amount owed to related party	Amount owed by related party
	Unaudited EUR	Unaudited EUR	Unaudited EUR
Lorac Investment Management S.à r.l. (see (i))	101,036	—	43,044
Hudson Advisors Luxembourg S.à r.l. (see (ii))	518,505	298,144	—

	31 March 2010	As at 31 December 2010	
	Service received	Amount owed to related party	Amount owed by related party
	Unaudited EUR	Audited EUR	Audited EUR
Lorac Investment Management S.à r.l. (see (i))	103,338	54,097	—
Hudson Advisors Luxembourg S.à r.l. (see (ii))	347,689	717,613	—

Terms and conditions of transactions with related parties

(i) Fund management fee

In consideration of the management services rendered by the Management Company in relation to Sub-Fund I, the Management Company is entitled to receive a management fee based on actual costs of the Management Company plus 10% margin. Fund management fee is included in the "Administration expenses" in the interim condensed carve-out statement of comprehensive income and related payables and receivables are recorded in "Trade and other creditors" and in "Trade and other receivables" in the interim condensed carve-out statement of financial position. As described in Note 3, this fee is allocated to Jupiter Portfolio based on number of assets.

(ii) Asset management fee

The Management Company, acting in its own name but on behalf of Sub-Fund I, has entered into an Asset Management Agreement with Hudson Advisors Lux. The asset managers are entitled to receive an asset management fee, at a monthly fee based on a rate applied to the purchase price of real estate assets, as defined in the Asset Management Agreement. On 13 October 2010, the Board has resolved for an amendment in the asset management agreement and accordingly, an amendment has been signed with the asset managers of the Fund. According to this amendment, the new asset management monthly fee rate is effective as from 1 January 2010.

Asset management fee is included in the "Administration expenses" in the statement of comprehensive income and related payables are recorded in "Trade and other payables" in the financial position. As described in Note 3, this fee is allocated to Jupiter Portfolio based on number of assets.

Note 11 – Taxes

Sub-Fund I is currently not liable to any tax on profits or income, nor are distributions paid by Sub-Fund I liable to any Luxembourg withholding tax, except subject to the provisions of the law dated 21 June 2005 implementing Council Directive 2003/48/EC on the taxation on savings income.

	31 March 2011	31 March 2010
	Unaudited EUR	Unaudited EUR
Current tax	—	—
Deferred tax	—	—
Total income tax	—	—

A reconciliation between tax expense and the product of accounting profit multiplied by the theoretical tax rate during the year ended as of 31 March is as follows:

	31 March 2011	31 March 2010
	Unaudited EUR	Unaudited EUR
Accounting profit before tax	89,503,255	3,159,035
Theoretical tax rate (0%)	0%	0%
Theoretical income tax	—	—

However, Sub-Fund I is liable in Luxembourg to a subscription tax (taxe d'abonnement) of 0.01% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Sub-Funds at the end of the relevant quarter calendar. No Luxembourg tax is payable on the realized capital appreciation of the assets of Sub-Fund I.

The accrued subscription tax payable as of 31 March 2011 amounts to EUR 27,150 (2010: EUR 22,951) and is included in Trade and other creditors.

Note 12 – Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair value of financial instruments.

	Carrying amount		Fair value	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
	Unaudited EUR	Audited EUR	Unaudited EUR	Audited EUR
Financial assets				
Trade and other receivables	7,772,023	7,079,577	7,772,023	7,079,577
	7,772,023	7,079,577	7,772,023	7,079,577
Financial liabilities				
Interest-bearing loans and borrowings	358,336,210	358,556,428	357,619,274	358,586,614
Derivative financial instruments	8,900,801	10,159,716	8,900,801	10,159,716
Trade and other payables	4,944,023	8,435,376	4,944,023	8,435,376
	372,181,034	377,151,520	371,464,098	377,181,706

The fair value of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments;
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs;
- The fair value of the derivative interest rate swap, cap and call swaption contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
Period ended 31 March 2011 (Unaudited)				
Derivative financial instruments	—	—	8,900,801	8,900,801
Period ended 31 December 2010 (Audited)				
Derivative financial instruments	—	—	10,159,716	10,159,716

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – use of a model with inputs that are not based on observable market data.

Note 13 – Derivative financial Instruments

Due to the floating interest rates inherent to the loan, Management Company, acting on its own name but on behalf of Sub-Fund I, has entered into interest rate swap, interest rate cap and call swaption agreements with the various loan counterparts to hedge the interest rate exposures.

The allocated Mark To Market ("MTM") values of the derivative financial instruments are as follows:

Financial Institution	Financial Instrument	Strike Rate	Trade Date	Maturity Date	MTM Value as at 31 March 2011	MTM Value as at 31 December 2010
					Unaudited EUR	Audited EUR
Natixis	Interest rate Swap	3.74750%	27-Jan-10	10-Feb-13	2,203,472	3,209,150
Deka Bank	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	2,192,714	3,183,760
Eurohypo AG	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	2,215,135	3,227,937
Bayern LB	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	954,336	1,391,702
Société Générale	Interest rate Swap	3.74750%	27-Jan-10	11-Feb-13	1,504,116	2,227,039
Deka Bank	Interest rate Cap	4.70%	3-Jul-08	10-Aug-11	–	–
Société Générale	Interest rate Cap	4.70%	4-Jun-08	10-Aug-11	–	–
Eurohypo AG	Interest rate Cap	4.70%	4-Jul-08	10-Aug-11	–	–
Deka Bank	Interest rate Cap	5.20%	3-Jul-08	28-Jun-13	(32,052)	(49,207)
Société Générale	Interest rate Cap	5.20%	17-Jun-08	12-Aug-13	(84,872)	(117,451)
Eurohypo AG	Interest rate Cap	5.20%	4-Jul-08	28-Jun-13	(52,048)	(61,594)
Natixis	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	–	(732,131)
Deka Bank	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	–	(720,663)
Eurohypo AG	Call Swaption	2.10000%	27-Jan-10	11-Feb-13	–	(730,811)
Bayern LB	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	–	(130,611)
Société Générale	Call Swaption	2.10000%	27-Jan-10	10-Feb-13	–	(537,404)
TOTAL					**8,900,801**	**10,159,716**

Note 14 – Revenue

	For the period ended March 31, 2011	For the period ended March 31, 2010
	Unaudited EUR	Unaudited EUR
Rental income*	14,672,674	13,998,365
Service charge income		
Service charge income on operating expenses	8,607,767	10,804,482
Service charge income on maintenance and repairs	773,698	498,701
	9,381,465	11,303,183
Total revenue	**24,054,139**	**25,301,548**

* Rental income includes an amount of EUR 417,478 for the period ended 31 March 2011 and 31 March 2010, related to rent leveling over the period of the lease term (Note 12).

Note 15 – Service charge and other property operating expenses

	For the period ended March 31, 2011	For the period ended March 31, 2010
	Unaudited EUR	Unaudited EUR
Service charge expenses		
Operating expenses	9,363,509	11,754,727
Maintenance and repairs	1,538,028	900,994
	10,901,537	**12,655,721**
Other property operating expenses		
Property management expenses	459,186	293,514
Other	46,261	33,062
	505,447	**326,576**
Total property operating expenses	**11,406,984**	**12,982,297**

Note 16 – Finance Costs

	For the period ended March 31, 2011	For the period ended March 31, 2010
	Unaudited	**Unaudited**
	EUR	**EUR**
Interest on bank loans	3,618,010	3,714,813
Finance cost on derivative instruments, net	(200,451)	4,427,653
Commitment fees	67,603	34,279
Other finance costs	537	607
Total finance costs	**3,485,700**	**8,177,352**

Note 17 – Subsequent Events

Subsequent to the period ended 31 March 2011, the Management Company, acting in its own name but on behalf of Sub-Fund I and the Consortium Banks have agreed to extend the maturity date of the bank loan for one year. The maturity date of the bank loan is extended to 28 June 2012 (Note 13).

APPENDIX A – INITIAL PROPERTIES

Address	City	Federal State	Property Category	GLA (sq. ft.)
H-v-Stephan-Str.1-15/W-Brandt-Pl.13	Mannheim	Baden-Württemberg	Major City Distribution	227,298
Czernyring 15	Heidelberg	Baden-Württemberg	Regional Logistic	133,909
Rüppurrer Str.81,87,89/Ettlinger 67	Karlsruhe	Baden-Württemberg	Major City Distribution	111,412
Bahnhofstr. 33	Böblingen	Baden-Württemberg	Multi-Functional	82,628
Wiener Str. 43	Stuttgart	Baden-Württemberg	Regional Administrative	72,192
Möhringer Landstr. 2/Emilienstr. 30	Stuttgart	Baden-Württemberg	Multi-Functional	61,194
Mayenner Str. 63	Waiblingen	Baden-Württemberg	Regional Logistic	53,220
Zuffenhäuser Kelterplatz 1	Stuttgart	Baden-Württemberg	Multi-Functional	47,552
Poststr. 14	Rastatt	Baden-Württemberg	Multi-Functional	45,659
Bahnhofplatz 3,5	Heidenheim	Baden-Württemberg	Multi-Functional	45,656
Königstr. 12	Rottweil	Baden-Württemberg	Multi-Functional	45,494
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	Multi-Functional	43,620
Robert-Wahl-Str. 7/7a	Balingen	Baden-Württemberg	Multi-Functional	41,487
Cavaillonstr. 2	Weinheim	Baden-Württemberg	Multi-Functional	40,540
Stuttgarter Str. 5, 7	Fellbach	Baden-Württemberg	Multi-Functional	38,288
Lotzbeckstr. 4	Lahr	Baden-Württemberg	Multi-Functional	33,511
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	Multi-Functional	33,136
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	Baden-Württemberg	Multi-Functional	32,191
Poststr. 30	Albstadt	Baden-Württemberg	Multi-Functional	31,263
Konrad-Adenauer-Str. 49-51	Tübingen	Baden-Württemberg	Regional Logistic	29,341
Augsburger Str. 380	Stuttgart	Baden-Württemberg	Multi-Functional	27,775
Bahnhofanlage 2-4	Schwetzingen	Baden-Württemberg	Multi-Functional	26,658
Gartenstr. 16	Sindelfingen	Baden-Württemberg	Multi-Functional	23,121
Bahnhofstr. 27	Öhringen	Baden-Württemberg	Multi-Functional	21,449
Ziegelstr. 15, 15 A	Ravensburg	Baden-Württemberg	Multi-Functional	20,420
Speckweg 24-26	Mannheim	Baden-Württemberg	Multi-Functional	20,128
Lindauer Str. 34	Wangen	Baden-Württemberg	Multi-Functional	19,510
Ooser Karlstr. 21/23/25	Baden-Baden	Baden-Württemberg	Regional Logistic	19,444
Eisenbahnstr. 15	Tuttlingen	Baden-Württemberg	Multi-Functional	19,047
Bahnhofstr. 3	Osterburken	Baden-Württemberg	Multi-Functional	18,498
Karl-von-Hahn-Str. 1	Freudenstadt	Baden-Württemberg	Multi-Functional	16,699
Bahnhofstr. 33	Sulz	Baden-Württemberg	Regional Logistic	15,774
Melanchthonstr. 96	Bretten	Baden-Württemberg	Multi-Functional	15,501
Im Kusterfeld 1	Backnang	Baden-Württemberg	Regional Logistic	14,634
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	Regional Logistic	13,955
Bahnhofstr. 41	Eberbach	Baden-Württemberg	Multi-Functional	13,936
Berliner Str. 4	Albstadt	Baden-Württemberg	Regional Logistic	13,816
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	Multi-Functional	12,112
Bahnhofstr. 49/49a	Aalen	Baden-Württemberg	Multi-Functional	11,050
Am Markt 4	St. Georgen	Baden-Württemberg	Multi-Functional	10,324
Bahnhofstr. 12	Pfullendorf	Baden-Württemberg	Multi-Functional	9,720
Langfuhren 9	Bad Säckingen	Baden-Württemberg	Regional Logistic	9,717
Bahnhofstr. 16	Regensburg	Bavaria	Major City Distribution	230,845
Franz-Zebisch-Str. 15	Weiden	Bavaria	Regional Logistic	166,601
Bürgerreuther Str. 1	Bayreuth	Bavaria	Multi-Functional	75,534
Bahnhofplatz 10	Fürth	Bavaria	Major City Distribution	74,816
Bahnhofsplatz 1	Schweinfurt	Bavaria	Multi-Functional	67,503
Bahnhofstr. 9	Ingolstadt	Bavaria	Major City Distribution	67,432
Auhofstr. 21	Aschaffenburg	Bavaria	Regional Logistic	63,784
Stadtparkstr. 2	Schwabach	Bavaria	Multi-Functional	46,799
Bahnhofstr. 2	Cham	Bavaria	Multi-Functional	46,129
Münchener Str. 1	Bad Kissingen	Bavaria	Multi-Functional	43,971
Poststr. 2	Deggendorf	Bavaria	Multi-Functional	41,640
Bahnhofplatz 1	Freising	Bavaria	Multi-Functional	41,139
Alsenberger Str 61	Hof	Bavaria	Multi-Functional	36,294
Heinzelmannstr. 1/Hauberrisserstr.	Kaufbeuren	Bavaria	Multi-Functional	34,894
Bahnhofplatz 4	Traunstein	Bavaria	Multi-Functional	34,887
Zwieseler Str. 27-29	Regen	Bavaria	Multi-Functional	34,174
Münchener Str. 38	Neuburg	Bavaria	Multi-Functional	31,486
Bahnhofplatz 4	Berchtesgaden	Bavaria	Multi-Functional	31,006
Goldbacher Str. 74	Aschaffenburg	Bavaria	Regional Logistic	25,153
Alleestr. 6	Neustadt	Bavaria	Multi-Functional	23,495

Address	City	Federal State	Property Category	GLA (sq. ft.)
Bahnhofsplatz 8	Marktredwitz	Bavaria	Multi-Functional	22,710
Bahnhofstr. 32	Sulzbach-Rosenberg	Bavaria	Multi-Functional	22,634
Stadtgraben 13	Pfaffenhofen	Bavaria	Multi-Functional	22,513
Brückenstr. 26	Miltenberg	Bavaria	Multi-Functional	22,017
Ringstr. 22 / Dr. Bachl-Str.	Pfarrkirchen	Bavaria	Multi-Functional	21,980
Am Plärrer 11	Lauf	Bavaria	Multi-Functional	21,603
Martin-Pöhlmann-Str 5/Friedrich-e	Selb	Bavaria	Multi-Functional	20,681
Chiemseestr. 25	Traunstein	Bavaria	Regional Logistic	18,488
Aidenbacher Str. 41	Vilshofen	Bavaria	Regional Logistic	16,619
Luitpoldstr. 13 u 13 b	Dinkelsbühl	Bavaria	Multi-Functional	14,421
Münchner Str. 50	Fürstenfeldbruck	Bavaria	Regional Logistic	13,326
Steinweg 5	Weiden	Bavaria	Multi-Functional	10,974
Alte Amberger Str. 28	Grafenwöhr	Bavaria	Multi-Functional	7,980
Eichendorffstr. 14	Traunreut	Bavaria	Multi-Functional	7,711
Hellersdorfer Str. 78	Berlin	Bavaria	Multi-Functional	32,296
Innungsstr. 57-59	Berlin	Bavaria	Regional Logistic	21,187
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	Regional Logistic	32,330
Bahnhofsplatz o. Nr.	Oranienburg	Brandenburg	Multi-Functional	22,153
Leistikowstr. 19	Fürstenwalde	Brandenburg	Multi-Functional	20,437
Poststr. 1/2	Spremberg	Brandenburg	Multi-Functional	14,763
Am Buchhorst 35	Potsdam	Brandenburg	Regional Logistic	14,042
Potsdamer Str. 9	Ludwigsfelde	Brandenburg	Multi-Functional	12,885
Dahmestr. 17	Mittenwalde	Brandenburg	Regional Logistic	12,631
Mönchenstr. 15-18	Jüterbog	Brandenburg	Multi-Functional	12,128
Kurfürstenallee 130	Bremen	Bremen	Regional Administrative	187,940
Friedrich-Ebert-Str. 75-79	Bremerhaven	Bremen	Major City Distribution	51,727
Vegesacker Heerstr. 111	Bremen	Bremen	Multi-Functional	43,484
Langener Landstr. 237-239	Bremerhaven	Bremen	Multi-Functional	12,803
Berliner Freiheit 8	Bremen	Bremen	Multi-Functional	12,553
Gorsemannstr. 22	Bremen	Bremen	Multi-Functional	12,379
Am Neumarkt 40 / Luetkensallee 49	Hamburg	Hamburg	Regional Logistic	160,720
Überseering 17 / Mexikoring 22	Hamburg	Hamburg	Regional Administrative	159,174
Möllner Landstr. 47-49/Reclamstr 20	Hamburg	Hamburg	Multi-Functional	45,371
Apostelweg 4-6	Hamburg	Hamburg	Multi-Functional	36,273
Kieler Str. 501	Hamburg	Hamburg	Multi-Functional	32,937
Volksdorfer Str. 5 / Wohld. Str. 6	Hamburg	Hamburg	Multi-Functional	31,068
Neugr. Bahnhofstr. 26/Scheideholzw.	Hamburg	Hamburg	Multi-Functional	20,213
Poststr.4-6,Göbelstr.30,Bismarckstr	Darmstadt	Hesse	Major City Distribution	230,943
Bahnhofstr. 82-86	Gießen	Hesse	Multi-Functional	156,378
Marienstr. 80	Offenbach am Main	Hesse	Major City Distribution	114,114
Zimmermannstr. 2/Eisenstr.	Marburg	Hesse	Regional Administrative	99,751
Saalburgallee 19	Frankfurt am Main	Hesse	Regional Administrative	98,224
Heinrich-von-Bibra-Platz 5-9	Fulda	Hesse	Major City Distribution	77,606
Hainstr. 5 A	Bad Hersfeld	Hesse	Multi-Functional	51,207
Palleskestr. 38	Frankfurt am Main	Hesse	Regional Logistic	43,409
Friedrich-Wilhelm-Str. 52 U. 54	Eschwege	Hesse	Multi-Functional	35,433
Ölmühlweg 12	Königstein	Hesse	Regional Administrative	34,984
Bahnhofsplatz 2	Herborn	Hesse	Multi-Functional	29,746
Ludwigsplatz 1	Alsfeld	Hesse	Multi-Functional	29,125
Poststr. 1-3	Korbach	Hesse	Multi-Functional	27,463
Schönbornstr. 1	Geisenheim	Hesse	Multi-Functional	13,117
Mecklenburgstr. 4-6	Schwerin	Mecklenburg-West Pomerania	Multi-Functional	66,676
Gerstenstr. 5	Neubrandenburg	Mecklenburg-West Pomerania	Regional Logistic	34,347
Gradestr. 22	Hannover	Niedersachsen	Regional Administrative	195,782
Klubgartenstr. 10	Goslar	Niedersachsen	Multi-Functional	87,460
Bahnhofsplatz 2,3,4, Pepperworth 7	Hildesheim	Niedersachsen	Major City Distribution	85,895
Kapellenstr. 44	Einbeck	Niedersachsen	Regional Logistic	81,206
Bahnhofsring 2	Leer	Niedersachsen	Multi-Functional	78,259
Dammstr. 2, Frankenstr. 21, 25a	Osnabrück	Niedersachsen	Regional Logistic	77,680
77er Str. 54	Celle	Niedersachsen	Regional Logistic	73,423
Rathausplatz 2	Wilhelmshaven	Niedersachsen	Multi-Functional	64,970
Niemeyerstr. 1	Hannover	Niedersachsen	Multi-Functional	61,361
Joachim-Campe-Str. 1.3/5/7, Postho	Salzgitter	Niedersachsen	Multi-Functional	60,012
Poststr. 2 U 3	Helmstedt	Niedersachsen	Multi-Functional	53,468

Address	City	Federal State	Property Category	GLA (sq. ft.)
Bahnhofsplatz 9	Emden	Niedersachsen	Multi-Functional	52,195
Schützenstr. 17,19	Peine	Niedersachsen	Multi-Functional	46,527
Mühlenstr. 5-7	Delmenhorst	Niedersachsen	Multi-Functional	37,266
Verdener Str. 9	Nienburg	Niedersachsen	Multi-Functional	35,312
Stadtring 3-5	Nordhorn	Niedersachsen	Multi-Functional	34,960
Große Str. 29-33	Rotenburg	Niedersachsen	Multi-Functional	33,240
Bahnhofstr. 29	Meppen	Niedersachsen	Multi-Functional	29,056
Poststr. 12	Lehrte	Niedersachsen	Multi-Functional	28,764
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	Multi-Functional	27,793
Ruthenstr. 19/21	Hameln	Niedersachsen	Regional Logistic	26,895
Bahnhofstr. 2	Gifhorn	Niedersachsen	Multi-Functional	26,894
Bahnhofstr. 6	Quakenbrück	Niedersachsen	Multi-Functional	24,446
Am Stadtpark 5	Papenburg	Niedersachsen	Multi-Functional	20,950
Am Markt 4-5	Norden	Niedersachsen	Multi-Functional	20,668
Marktplatz 5	Nordenham	Niedersachsen	Multi-Functional	20,109
Bahnhofstr. 58 / Giselbertstr. 6	Buxtehude	Niedersachsen	Multi-Functional	19,800
Poststr. 5	Walsrode	Niedersachsen	Multi-Functional	19,697
Konrad-Adenauer-Str. 10	Langenhagen	Niedersachsen	Multi-Functional	18,892
Kornmarkt 15	Osterode	Niedersachsen	Multi-Functional	17,690
Robert-Koch-Str. 3	Laatzen	Niedersachsen	Multi-Functional	16,126
Herrlichkeit 7	Syke	Niedersachsen	Multi-Functional	14,560
Mercedesstr. 5	Hannover	Niedersachsen	Regional Logistic	14,504
Kolpingstr. 4	Georgsmarienhütte	Niedersachsen	Multi-Functional	13,725
Heidering 23	Hannover	Niedersachsen	Regional Logistic	12,494
Poststr. 3-5	Barsinghausen	Niedersachsen	Multi-Functional	11,597
Prochaskaplatz 7	Dannenberg	Niedersachsen	Multi-Functional	11,334
Kürbsweg 9	Seevetal	Niedersachsen	Multi-Functional	11,175
Rosenstr. 1 / Fünfhausenstr. 19/21	Springe	Niedersachsen	Multi-Functional	8,881
Elisabeth-Anna-Str. 11	Wangerooge	Niedersachsen	Multi-Functional	8,382
Melcherstätte 8	Stuhr	Niedersachsen	Multi-Functional	8,196
Grüne Str. 6-8 / Kurfürstenstr. 2	Dortmund	North Rhine-Westphalia	Major City Distribution	299,567
Hindenburgstr. 9 / Heeserstr. 5	Siegen	North Rhine-Westphalia	Major City Distribution	98,647
Friedrich-Karl-Str. 1-7	Oberhausen	North Rhine-Westphalia	Regional Logistic	97,606
Kaiserstr. 24	Gütersloh	North Rhine-Westphalia	Multi-Functional	94,487
Am Hauptbahnhof 2	Mülheim	North Rhine-Westphalia	Major City Distribution	84,302
Husemannstr. 1	Gelsenkirchen	North Rhine-Westphalia	Major City Distribution	80,141
Kommandantenstr.43-51	Duisburg	North Rhine-Westphalia	Regional Logistic	80,122
Berliner Platz 35-37	Münster	North Rhine-Westphalia	Major City Distribution	79,702
Stresemannstr. 15	Wuppertal	North Rhine-Westphalia	Multi-Functional	79,185
Kaiser-Karl-Ring 59-63/Dorotheenstr	Bonn	North Rhine-Westphalia	Multi-Functional	75,814
Heinrich-von-Stephan-Str. 8-10	Leverkusen	North Rhine-Westphalia	Major City Distribution	61,011
Paulinenstr. 52	Detmold	North Rhine-Westphalia	Multi-Functional	57,614
Baarstr. 5	Iserlohn	North Rhine-Westphalia	Multi-Functional	51,472
Rathausplatz 4	Lüdenscheid	North Rhine-Westphalia	Multi-Functional	50,050
Theodor-Heuss-Platz 13	Neuss	North Rhine-Westphalia	Major City Distribution	46,128
Stembergstr. 27-29	Arnsberg	North Rhine-Westphalia	Multi-Functional	45,600
Poststr. 2	Gummersbach	North Rhine-Westphalia	Multi-Functional	45,558
Lippertor 6	Lippstadt	North Rhine-Westphalia	Regional Logistic	44,341
Martinistr. 19	Recklinghausen	North Rhine-Westphalia	Major City Distribution	43,807
Südbrede 1-5	Ahlen	North Rhine-Westphalia	Multi-Functional	43,382
Koblenzer Str. 67	Bonn	North Rhine-Westphalia	Regional Administrative	42,774
Kardinal-Galen-Ring 84/86	Rheine	North Rhine-Westphalia	Multi-Functional	42,191
Kalkumer Str. 70	Düsseldorf	North Rhine-Westphalia	Multi-Functional	41,770
Ehrenfeldgürtel 125	Köln	North Rhine-Westphalia	Multi-Functional	41,645
Balhornstr.15,17/B.Köthenbürger-Str	Paderborn	North Rhine-Westphalia	Multi-Functional	40,927
Bismarckstr. 21-23	Bünde	North Rhine-Westphalia	Multi-Functional	38,276
Hindenburgstr. 8/Hohenstauf 9,17,19	Bocholt	North Rhine-Westphalia	Multi-Functional	37,512
Lönsstr. 20-22	Castrop-Rauxel	North Rhine-Westphalia	Multi-Functional	35,580
Kurt-Schumacher-Str. 5	Lünen	North Rhine-Westphalia	Multi-Functional	35,290
Bahnhofsplatz 10,12,14	Kleve	North Rhine-Westphalia	Multi-Functional	34,871
Goethestr. 2-6	Duisburg	North Rhine-Westphalia	Multi-Functional	34,839
Im Bungert 6-8	Bergisch Gladbach	North Rhine-Westphalia	Regional Logistic	34,737
Kreuzstr. 20-24	Bonn	North Rhine-Westphalia	Multi-Functional	32,253
Poststr. 24-26	Ratingen	North Rhine-Westphalia	Multi-Functional	29,445

Address	City	Federal State	Property Category	GLA (sq. ft.)
Berliner-Tor-Platz 1	Wesel	North Rhine-Westphalia	Multi-Functional	27,052
Königswiese 1	Gelsenkirchen	North Rhine-Westphalia	Multi-Functional	26,468
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	North Rhine-Westphalia	Multi-Functional	25,973
Kaiserstr. 140	Radevormwald	North Rhine-Westphalia	Multi-Functional	25,653
In der Trift 10/12	Olpe	North Rhine-Westphalia	Multi-Functional	25,414
Uferstr. 2	Höxter	North Rhine-Westphalia	Multi-Functional	23,240
Bahnhofstr. 46	Unna	North Rhine-Westphalia	Multi-Functional	22,627
Poststr. 19-23	Hilden	North Rhine-Westphalia	Regional Logistic	22,454
Lindenstr. 42	Grevenbroich	North Rhine-Westphalia	Multi-Functional	21,668
Hörder Semerteichstr. 175	Dortmund	North Rhine-Westphalia	Multi-Functional	21,659
Wilhelmstr. 5	Ibbenbüren	North Rhine-Westphalia	Multi-Functional	21,031
Geistmarkt 17	Emmerich	North Rhine-Westphalia	Multi-Functional	20,942
Lyoner Passage 14	Köln	North Rhine-Westphalia	Multi-Functional	20,742
Moltkestr. 6	Hattingen	North Rhine-Westphalia	Multi-Functional	20,681
Steinstr. 6	Pulheim	North Rhine-Westphalia	Multi-Functional	20,517
Kasseler Str. 1 – 7	Warburg	North Rhine-Westphalia	Multi-Functional	19,985
Poststr. 6	Beckum	North Rhine-Westphalia	Multi-Functional	18,831
Lagerstr. 1	Meschede	North Rhine-Westphalia	Multi-Functional	18,683
Friedrichstr. 2	Monheim	North Rhine-Westphalia	Multi-Functional	18,156
Königstr. 20	Brilon	North Rhine-Westphalia	Multi-Functional	17,733
Marktstr. 51	Essen	North Rhine-Westphalia	Multi-Functional	17,661
Übacher Weg 4	Alsdorf	North Rhine-Westphalia	Multi-Functional	16,870
Bismarckstr. 12 / Fr.Hoffmann-Str.	Steinfurt	North Rhine-Westphalia	Regional Logistic	16,666
Kaiserstr. 35	Minden	North Rhine-Westphalia	Multi-Functional	16,624
Niederwall 3	Lübbecke	North Rhine-Westphalia	Multi-Functional	16,563
Bahnhofstr. 8-10	Borken	North Rhine-Westphalia	Multi-Functional	16,385
Hochstr. 31 / Postgasse 5	Bochum	North Rhine-Westphalia	Multi-Functional	16,359
Hauptstr. 141	Rheda-Wiedenbrück	North Rhine-Westphalia	Multi-Functional	16,082
Poststr. 28	Hemer	North Rhine-Westphalia	Multi-Functional	15,782
Bünder Str. 36	Löhne	North Rhine-Westphalia	Multi-Functional	12,625
Albert-Steiner-Str. 10	Herzogenrath	North Rhine-Westphalia	Multi-Functional	12,538
Poststr. 1	Erftstadt	North Rhine-Westphalia	Multi-Functional	12,498
Fraunhoferstr. 10	Bonn	North Rhine-Westphalia	Regional Logistic	12,311
Märkische Str. 58	Düsseldorf	North Rhine-Westphalia	Multi-Functional	11,997
Hauptstr. 40	Porta Westfalica	North Rhine-Westphalia	Multi-Functional	11,133
Unterstr. 14	Bochum	North Rhine-Westphalia	Regional Logistic	10,732
Wetterstr. 20 / Poststr. 2	Herdecke	North Rhine-Westphalia	Multi-Functional	7,702
Blücherstr. 12	Koblenz	Rhineland-Palatinate	Regional Logistic	94,569
Logenstr. 37	Kaiserslautern	Rhineland-Palatinate	Multi-Functional	72,198
Ostbahnstr. 5	Landau	Rhineland-Palatinate	Multi-Functional	53,401
Europaplatz 17	Bad Kreuznach	Rhineland-Palatinate	Multi-Functional	50,703
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	Rhineland-Palatinate	Multi-Functional	39,041
Steinerother Str. 1 U 1a	Betzdorf	Rhineland-Palatinate	Multi-Functional	38,959
Von-Lassaulx-Str. 14-18	Remagen	Rhineland-Palatinate	Regional Logistic	29,819
Asselheimer Str. 26/Mörikestr. 1-3	Grünstadt	Rhineland-Palatinate	Multi-Functional	23,560
Breitestr. 62-66	Andernach	Rhineland-Palatinate	Multi-Functional	22,119
Lindenstr. 15	Landstuhl	Rhineland-Palatinate	Regional Logistic	21,709
Güterstr. 2-4	Bitburg	Rhineland-Palatinate	Regional Logistic	19,340
Lindenstr. 9	Daun	Rhineland-Palatinate	Multi-Functional	15,689
Sandstr. 4	Germersheim	Rhineland-Palatinate	Multi-Functional	10,132
Weinbergstr. 50	Bad Neuenahr-Ahrweiler	Rhineland-Palatinate	Regional Logistic	9,023
Am Hauptbahnhof 16-18	Saarbrücken	Saxony	Major City Distribution	290,901
Marktstr. 9	Völklingen	Saxony	Multi-Functional	49,577
Brückenstr. 21	Neunkirchen	Saxony	Multi-Functional	35,971
Bahnhofsplatz 4	Homburg	Saxony	Multi-Functional	33,241
Poststr. 48	St Ingbert	Saxony	Multi-Functional	26,975
Saarbrücker Str. 292-294	Saarbrücken	Saxony	Multi-Functional	20,433
Trierer Str. 4-6	Heusweiler	Saxony	Regional Logistic	16,867
De-Lenoncourt-Str. 2	Dillingen	Saxony	Multi-Functional	8,705
Gerokstr. 14-20	Dresden	Saxony	Major City Distribution	110,300
Pausaer Str. 1-3	Plauen	Saxony	Multi-Functional	83,867
Am Bahnhof 5	Zwickau	Saxony	Regional Logistic	60,738
Postplatz 3	Bautzen	Saxony	Multi-Functional	57,007
Willy-Brandt-Str. 6	Auerbach	Saxony	Multi-Functional	45,504

Address	City	Federal State	Property Category	GLA (sq. ft.)
August-Bebel-Str. 6	Torgau	Saxony	Multi-Functional	40,745
Lilienstr. 3	Leipzig	Saxony	Multi-Functional	35,234
Poststr. 26	Meißen	Saxony	Multi-Functional	30,101
Feldschlößchenstr./Kunadstr. o. Nr.	Dresden	Saxony	Regional Logistic	29,236
Gartenstr. 29/30	Pirna	Saxony	Multi-Functional	27,711
Saßstr. 12	Leipzig	Saxony	Regional Logistic	26,214
Klosterstr. 6-10	Annaberg-Buchholz	Saxony	Multi-Functional	25,336
Zwickauer Str. 438	Chemnitz	Saxony	Regional Logistic	24,173
Bahnhofstr. 43	Riesa	Saxony	Multi-Functional	18,275
Sattigstr. 33	Görlitz	Saxony	Regional Logistic	16,279
Löbauer Str. 63	Bautzen	Saxony	Regional Logistic	12,686
E.-Kamieth-Str. 2 b	Halle	Saxony -Anhalt	Major City Distribution	152,660
Kavalierstr. 30-32	Dessau	Saxony -Anhalt	Multi-Functional	52,206
Unter den Zwicken 1-3	Halberstadt	Saxony -Anhalt	Multi-Functional	47,145
Heinrich-von-Stephan-Platz 6	Naumburg	Saxony -Anhalt	Multi-Functional	37,612
König-Heinrich-Str. 11	Merseburg	Saxony -Anhalt	Multi-Functional	29,472
Wilhelm-Weber-Str. 1	Wittenberg	Saxony -Anhalt	Multi-Functional	27,658
Lindenstr. 11	Bitterfeld	Saxony -Anhalt	Regional Logistic	23,183
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	Saxony -Anhalt	Regional Logistic	19,454
Bahnhofstr. 33 U. 33 A	Stendal	Saxony -Anhalt	Regional Logistic	18,200
Republikstr. 34	Schönebeck	Saxony -Anhalt	Multi-Functional	14,985
Grenzstr. 24	Halle	Saxony -Anhalt	Regional Logistic	14,533
Fritz-Brandt-Str. 25	Zerbst	Saxony -Anhalt	Multi-Functional	12,117
Karlstal 1-21/Werftstr. 201	Kiel	Schleswig-Holstein	Regional Logistic	180,903
Bahnhofstr. 40	Flensburg	Schleswig-Holstein	Multi-Functional	60,643
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	Multi-Functional	59,218
Poststr. 5-7	Heide	Schleswig-Holstein	Regional Logistic	53,363
Falkenbergstr. 17-23	Norderstedt	Schleswig-Holstein	Regional Logistic	41,249
Lübecker Str. 23-25	Bad Oldesloe	Schleswig-Holstein	Multi-Functional	36,290
Tunnelweg 1	Husum	Schleswig-Holstein	Multi-Functional	31,116
Waschgrabenallee 3-5	Neustadt	Schleswig-Holstein	Multi-Functional	29,739
Bahnhofstr. 18 a	Wedel	Schleswig-Holstein	Multi-Functional	17,771
Am Bahnhof 2	Meldorf	Schleswig-Holstein	Multi-Functional	15,549
Rensefelder Str. 2	Bad Schwartau	Schleswig-Holstein	Multi-Functional	9,777
Lutherplatz 5	Nordhausen	Thuringia	Multi-Functional	44,699
Gustav-König-Str. 42	Sonneberg	Thuringia	Multi-Functional	33,959
Petristr. 26	Heilbad Heiligenstadt	Thuringia	Multi-Functional	28,205
Poststr. 12	Schmölln	Thuringia	Multi-Functional	20,403
Average				**42,188**
Total				**12,318,916**

APPENDIX B
DUNDEE INTERNATIONAL REAL ESTATE INVESTMENT TRUST
(the "TRUST")

MANDATE FOR THE BOARD OF TRUSTEES

Pursuant to the amended and restated declaration of trust for the Trust dated August 3, 2011 (the "**Declaration of Trust**"), the Trust may have a board of trustees (the "**Board**") consisting of between five and twelve trustees at any given time, although a majority of the trustees must be resident Canadians. The trustees are elected by the holders of the units of the Trust and the special trust units of the Trust (the "**Unitholders**"). Although trustees may be elected by the Unitholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Trust must be paramount at all times.

DUTIES OF TRUSTEES

The Board is responsible for the stewardship of the activities and affairs of the Trust. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Trust's strategic planning and organizational structure and supervising management to oversee that the strategic planning and organizational structure enhance and preserve the business of the Trust and the underlying value of the Trust.

The Board discharges its responsibility for overseeing the management of the Trust's activities and affairs by delegating to the Trust's senior officers the responsibility for day-to-day activities of the Trust. The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Governance and Environmental Committee, the Executive Committee and the Compensation Committee. In addition to these regular committees, the Board may appoint *ad hoc* committees periodically to address certain issues of a more short-term nature.

The Board's primary roles are overseeing performance and providing quality, depth and continuity of management to meet the Trust's strategic objectives.

Other principal duties include, but are not limited to the following categories:

Appointment of Management

1. The Board is responsible for approving the appointment of the chief executive officer and all other senior management, defining the roles and responsibilities of management and approving their compensation, following a review of the recommendations of the Compensation Committee.

2. The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits, and material transactions outside the ordinary course of business are reviewed by and are subject to the prior approval of the Board.

3. The Board is responsible for assessing the performance of and overseeing management.

4. The Board oversees that succession planning programs are in place, including programs to train and develop management.

Board Organization

5. The Board will respond to recommendations received from the Governance and Environmental Committee and the Compensation Committee, but retains responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.

6. The Board may establish committees of the Board, where required or prudent, and define their mandate. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

Strategic Planning

7. The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the Trust and its objectives and goals.

8. The Board is responsible for participating in the development of, and reviewing and approving, the business, financial and strategic plans by which it is proposed that the Trust may reach those goals.

9. The Board is responsible for supervising the activities, managing the investments and affairs and approving major decisions of the Trust.

10. The Board is responsible for providing input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.

11. The Board will consider alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for Unitholders.

12. The Board is responsible for reviewing the debt strategy of the Trust.

Monitoring of Financial Performance and Other Financial Reporting Matters

13. The Board is responsible for enhancing congruence between Unitholder expectations, Trust plans and management performance.

14. The Board is responsible for:

(a) adopting processes for monitoring the Trust's progress toward its strategic and other goals, and to revise and alter its direction to management in light of changing circumstances affecting the Trust; and

(b) taking action when Trust performance falls short of its goals or other special circumstances warrant.

15. The Board is responsible for approving the audited financial statements, interim financial statements and the notes and management's discussion and analysis accompanying such financial statements.

16. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Declaration of Trust and other governing documents, including the payment of distributions, purchase and redemptions of securities, acquisitions and dispositions.

Risk Management

17. The Board is responsible for overseeing the identification of the principal risks of the Trust's business and the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return to the Trust's Unitholders.

Policies and Procedures

18. The Board is responsible for:

(a) approving and assessing compliance with all significant policies and procedures by which the Trust is operated; and

(b) approving policies and procedures designed to ensure that the Trust operates at all times within applicable laws and regulations and in accordance with ethical and moral standards.

19. The Board shall enforce its policy respecting confidential treatment of the Trust's proprietary information and the confidentiality of Board deliberations.

Communications and Reporting

20. The Board has approved and will revise from time to time as circumstances warrant a disclosure policy to address communications with Unitholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities.

21. The Board is responsible for:

(a) overseeing the accurate reporting of the financial performance of the Trust to Unitholders, other securityholders and regulators on a timely and regular basis;

(b) overseeing that the financial results are reported fairly and in accordance with International Financial Reporting Standards and related legal disclosure requirements;

(c) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Trust;

(d) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, including reporting annually to Unitholders on its stewardship for the preceding year;

(e) overseeing the Trust's implementation of systems which accommodate feedback from Unitholders;

(f) ensuring the integrity and adequacy of internal controls and management information systems;

(g) maintaining records and providing reports to Unitholders;

(h) determining the amount and timing of distributions to Unitholders; and

(i) acting for, voting on behalf of the Trust and representing the Trust as a holder of securities of the Trust's subsidiaries and investments, including voting in favour of the Trust's nominees to serve on the board of Lorac Investment Management S.à r.l.

APPENDIX C

DUNDEE INTERNATIONAL REAL ESTATE INVESTMENT TRUST
(the "Trust")

AUDIT COMMITTEE CHARTER
(the "Charter")

PURPOSE

The Audit Committee (the "Committee") is a standing committee appointed by the board of trustees (the "Board") of the Trust pursuant to the amended and restated declaration of trust for the Trust dated August 3, 2011 (the "Declaration of Trust"). The Committee is established to fulfil applicable securities law obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:

- oversee the integrity of the Trust's financial statements and financial reporting process, including the audit process and the Trust's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the external auditors;
- oversee the work of the Trust's financial management, internal auditors and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the internal auditors, the Board and management.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (a) to plan or conduct audits, (b) to determine that the Trust's financial statements are complete and accurate and are in accordance with IFRS or (c) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its chair and its audit committee financial expert members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Trust, and are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, the member or members identified as audit committee financial experts shall not be accountable for giving professional opinions on the internal or external audit of the Trust's financial information.

Management is responsible for the preparation, presentation and integrity of the Trust's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The chief financial officer is responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The external auditors are responsible for planning and carrying out an audit of the Trust's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with International Financial Reporting Standards.

PROCEDURES, POWERS AND DUTIES

Pursuant to the Declaration of Trust, the Committee shall have the following procedures, powers and duties:

General

(a) *Definition* – Unless otherwise defined herein, all capitalized terms shall have the meanings set out in the Declaration of Trust.

(b) *Composition* – The Committee shall consist of at least three members, all of whom shall be Independent Trustees and a majority of whom shall be resident Canadians.

All members of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

(c) *Separate Executive Meetings* – The Committee shall meet periodically with the chief financial officer, the head of the internal audit function (if other than the chief financial officer) and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without management present.

(d) *Professional Assistance* – The Committee may require the external auditors and internal auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee's duties at the Trust's expense.

(e) *Reliance* – Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Trust from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Trust and its subsidiaries.

(f) *Reporting to the Board* – The Committee will report through the chair of the Committee to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

(g) *Procedure* – The Committee meetings shall be conducted as follows: (i) questions arising at any meeting shall be decided by a majority of the votes cast; (ii) decisions may be taken by written consent signed by all members of the Committee; and (iii) meetings may be called by the external auditors of the Trust or any member of the Committee upon not less than 48 hours notice. The external auditors of the Trust are entitled to receive notice of every meeting of the Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the external auditors.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Selection and Oversight of the External Auditors

1. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the unitholders of the Trust and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Trust to be proposed in the Trust's management information circular for approval of the unitholders of the Trust and the compensation to be paid by the Trust to the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

2. The Committee shall approve in advance the terms of engagement of the external auditors with respect to the conduct of the annual audit. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the external auditors, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Trust or any of its subsidiaries by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee.

3. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

   (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

   (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Trust and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand;

(c) consider whether there should be a regular rotation of the external audit firm itself; and

(d) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

4. The Committee shall prohibit the external auditor and its affiliates from providing certain non-audit services to the Trust and its subsidiaries.

5. The Committee shall establish and monitor clear policies for the hiring by the Trust of employees or former employees of the external auditors.

6. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require.

7. The Committee is responsible for resolving disagreements between management and the external auditors regarding financial reporting.

Appointment and Oversight of Internal Auditors

8. The appointment, terms of engagement, compensation, replacement or dismissal of the internal auditors shall be subject to prior review and approval by the Committee. When the internal audit function is performed by employees of the Trust, the Committee may delegate responsibility for approving the employment, term of employment, compensation and termination of employees engaged in such function other than the head of the Trust's internal audit function.

9. The Committee shall obtain from the internal auditors and shall review summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management's responses to such reports.

10. The Committee shall, as it deems necessary, communicate with the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor brings to the attention of the Committee. The head of the internal audit function shall have unrestricted access to the Committee.

11. The Committee shall, annually or more frequently as it deems necessary, evaluate the internal auditors including their activities, organizational structure and qualifications and effectiveness.

Oversight and Monitoring of Audits

12. The Committee shall review with the external auditors, the internal auditors and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Trust and its subsidiaries, the overall audit plans, the responsibilities of management, the internal auditors and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

13. The Committee shall meet periodically with the internal auditors to discuss the progress of their activities and any significant findings stemming from internal audits and any difficulties or disputes that arise with management and the adequacy of management's responses in correcting audit-related deficiencies.

14. The Committee shall discuss with the external auditors any difficulties or disputes that arose with management or the internal auditors during the course of the audit and the adequacy of management's responses in correcting audit-related deficiencies.

15. The Committee shall review with management the results of internal and external audits.

16. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

17. The Committee shall, as it deems necessary, oversee, review and discuss with management, the external auditors and the internal auditors:

    (a) the quality, appropriateness and acceptability of the Trust's accounting principles and practices used in its financial reporting, changes in the Trust's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

    (b) disagreements between management and the external auditors or the internal auditors regarding the application of any accounting principles or practices;

    (c) any material change to the Trust's auditing and accounting principles and practices as recommended by management, the external auditors or the internal auditors or which may result from proposed changes to applicable International Financial Reporting Standards;

    (d) any reserves, accruals, provisions, estimates or Trust programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Trust;

    (e) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Trust's operations;

    (f) the use of any "pro-forma" or "adjusted" information not in accordance with International Financial Reporting Standards; and

    (g) management's determination of goodwill impairment, if any, as required by applicable accounting standards.

18. The Committee will review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

19. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management, the external auditors and the internal auditors:

    (a) the adequacy and effectiveness of the Trust's internal accounting and financial controls and the recommendations of management, the external auditors and the internal auditors for the improvement of accounting practices and internal controls;

    (b) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and

    (c) management's compliance with the Trust's processes, procedures and internal controls.

Communications with Others

20. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Trust regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management and the internal auditors these procedures and any significant complaints received.

Oversight and Monitoring of the Trust's Financial Disclosures

21. The Committee shall:

    (a) review with the external auditors and management and recommend to the Board for approval the audited financial statements and the notes and management's discussion and analysis accompanying such financial statements, the Trust's annual report, any interim financial statements included or to be included in a prospectus and any financial information of the Trust contained in any management information circular of the Trust; and

    (b) review with the external auditors and management each set of interim financial statements and the notes and management's discussion and analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Trust containing or accompanying financial information of the Trust.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

22. Prior to their distribution, the Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Trust gives earning guidance.

23. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors.

Oversight of Finance Matters

25. Appointments of the key financial executives involved in the financial reporting process of the Trust, including the chief financial officer, shall require the prior review of the Committee.

26. The Committee shall receive and review:

    (a) periodic reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefor and the management's plan and timetable to correct any deficiencies;

    (b) material policies and practices of the Trust respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Trust; and

    (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

27. The Committee shall meet periodically with management to review and discuss the Trust's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

28. The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Trust and any auditor recommendations concerning such subsidiaries.

29. The Committee shall meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Additional Responsibilities

30. The Committee shall review any significant transactions outside the Trust's ordinary activities and all pending litigation involving the Trust.

31. The Committee shall review and make recommendations to the Board concerning the financial structure, condition and strategy of the Trust and its subsidiaries, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of securities.

32. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

AUDIT COMMITTEE CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the annual management information circular or annual report of the Trust.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: July 21, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

DUNDEE INTERNATIONAL REAL ESTATE INVESTMENT TRUST

(Signed) P. JANE GAVAN
Chief Executive Officer

(Signed) DOUGLAS QUESNEL
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) MICHAEL J. COOPER
Trustee

(Signed) P. JANE GAVAN
Trustee

(Signed) DOUGLAS QUESNEL
Trustee

DUNDEE REALTY CORPORATION
(as Promoter)

(Signed) MICHAEL J. COOPER
Chief Executive Officer

(Signed) DOUGLAS QUESNEL
Chief Financial Officer

On behalf of the Board of Directors

(Signed) NED GOODMAN
Director

(Signed) MICHAEL J. COOPER
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: July 21, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

TD SECURITIES INC.

By: (Signed) ANDREW G. PHILLIPS

SCOTIA CAPITAL INC.

By: (Signed) STEPHEN SENDER

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

RBC DOMINION SECURITIES INC.

By: (Signed) WILLIAM WONG

BMO NESBITT BURNS INC.

By: (Signed) DEREK DERMOTT

CANACCORD GENUITY CORP.

By: (Signed) JUSTIN BOSA

DUNDEE SECURITIES LTD.

By: (Signed) ONORIO LUCCHESE

HSBC SECURITIES (CANADA) INC.

By: (Signed) NICOLE CATY

BROOKFIELD FINANCIAL CORP.

By: (Signed) MARK MURSKI

GMP SECURITIES L.P.

By: (Signed) ANDREW KIGUEL

NATIONAL BANK FINANCIAL INC.

By: (Signed) ANDREW WALLACE

LichtBlick

FITNESS
COMPANY
paracelsus
HEILPRAKTIKERSCHULE

Postbank
Deutsche Post

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INTERNATIONAL
R·E·I·T

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