



Q&A:

Dundee Corporation's Management Information Circular Relating to Proposed Exchange of Series 4 Preferred Shares for Series 5 Preferred Shares

Q: Why is Dundee Corporation seeking to exchange the Series 4 Preferred Shares for a new series - Series 5 Preferred Shares?

The Corporation's currently outstanding Series 4 Preferred Shares become redeemable, at the option of the holder, on June 30, 2016 (or are payable in Class A subordinate voting shares in whole or in part at the Corporation's option at any time prior thereto, or in cash in whole or in part at any time). The Proposed Exchange will extend the date at which holders will be entitled to redeem their investment for a three-year period to June 30, 2019, in order to provide Dundee with additional financial flexibility for future business development opportunities. If approved, the Proposed Exchange will allow Dundee to redirect the \$107 million that could have been required for redemption towards strategic growth initiatives. The Corporation anticipates that the Proposed Exchange will also provide Dundee with a more attractive cost of common equity capital.

The current environment has been difficult on the Corporation's resource investments and, at this time, the Corporation would prefer not to use its available liquidity or issue Class A subordinate voting shares at current prices.

Q: How do the rights, privileges, restrictions and conditions of the Series 5 Preferred Shares differ from those of the Series 4 Preferred Shares?

There are no changes to the rights, privileges, restrictions and conditions of the Series 5 Preferred Shares from those of the Series 4 Preferred Shares, except that:

- The cumulative dividend rate will increase by 1%, from the 5% currently paid on the Series 4 Preferred Shares, to 6% on the Series 5 Preferred Shares;
- The date upon which the Series 5 Preferred Shares can be tendered to the Corporation for redemption will be extended by three years to June 30, 2019. The Corporation continues to have the option to convert the Series 5 Preferred Shares into the Corporation's Class A subordinate voting shares at any time prior to June 30, 2019, at a pre-determined formula as outlined in the Circular; and
- The Corporation may redeem the Series 5 Preferred Shares for cash at:
 - \$25.75 per share if redeemed prior to June 30, 2017,
 - \$25.50 per share if redeemed on or after June 30, 2017 and prior to June 30, 2018,
 - \$25.25 per share if redeemed on or after June 30, 2018 and prior to June 30, 2019, and
 - \$25.00 per share if redeemed on or after June 30, 2019;

plus, in all cases, any accrued but yet unpaid dividends.

Holders of Series 4 Preferred Shares should consult the Circular for the full text of the share provisions associated with the Series 5 Preferred Shares.

Q: What are the exchange benefits for the holders of Series 4 Preferred Shares?

The Series 4 Preferred Shareholders will benefit from:

- An increased dividend rate to 6% per annum, which is greater than the current dividend rate of 5% per annum, and an attractive long term yield in the current low-interest environment;
- Each Series 4 Preferred Share (par value and redemption price of \$17.84 per share) will be exchanged for 0.7136 of a Series 5 Preferred Share, which will adjust the par value and redemption price to \$25.00 per Series 5 Preferred Share which is more consistent with market conditions for preferred shares, providing greater transparency;
- Series 4 Preferred Shareholders voting in favour will also be entitled to a Consent Fee as outlined in the Circular; and
- Increased likelihood of redemption proceeds being paid in cash.

Q: How does the Proposed Exchange and Arrangement, if approved, benefit Dundee Corporation?

The Proposed Exchange will provide Dundee with several benefits such as:

- The ability to redirect the \$107 million that would have been required for redemption of the Series 4 Preferred Shares on or after June 30, 2016 towards strategic growth initiatives;
- The ability to maintain financial flexibility for future business development opportunities;
- An expected more attractive cost of common equity capital and more efficient use of that capital; and
- Reduced likelihood of common equity dilution.

Q: How did Dundee arrive at the 6% interest rate proposed for the Series 5 Preferred Shares?

- With the dividend increase to 6% and the Consent Fee of \$0.2230 (1.250%) paid to shareholders who vote in favour of the Arrangement, the IRR on the 3 year extension is 6.444% on a par purchase price basis.
- Should a holder of Series 4 Preferred Shares have an 'intermediary' that is not able to accept fees, such as some discretionary brokers, or should a broker agree to remit the full amount of the Consent Fee to the shareholder, the holder may be able to receive up to \$0.4014 if they vote in favour of the Arrangement, which would equate to a 6.686% IRR on a par purchase price basis.

- The retractable share market within Canada is small and there are only two issues that trade at a yield above the proposed IRR of the Series 5 Preferred Shares:
 - Birchcliff Series C have a dividend of 7.000% and are trading to yield ~8%; and
 - DREAM Series 1 have a dividend of 7.000% and are trading to yield ~7%.
- A simple average of the remaining retractable market's current yield is ~5.35%.

Q: Why did the Corporation decide to pay Consent Fees?

In 2015, there have been over 200 consent solicitation processes successfully completed in the term loan market and of those, 69 have been amend-to-extend transactions (most similar to Dundee's Proposed Exchange). These amend-to-extend transactions average an increase in coupon of approximately 1.00% and transaction fees ranging from 25-75bps. Based on this information, Dundee's Plan of Arrangement is in line with the dividend/coupon increase that has been seen in the fixed income market and offers a more enticing consent fee than the fixed income precedents.

As well, the weeks leading up to the Special Meeting include the Holiday Season and the Corporation has chosen a strategy to "get out the vote" and to encourage Series 4 Preferred Shareholders to vote early and "FOR" the Arrangement. In recognition of that, and if the Arrangement is ultimately approved and completed, these shareholders will have the opportunity to receive a one-time payment of between \$0.1784 and \$0.2230 per Series 4 Preferred Share, depending on the time of receipt of their vote prior to the Special Meeting. Dundee will pay a consent fee to the Series 4 Preferred Shareholders as follows:

Votes "FOR" the Arrangement and **recorded on or prior to December 31, 2015:**

- The holder of the Series 4 Preferred Share will be entitled to receive \$0.2230 per share provided such vote is valid and is not subsequently withdrawn prior to the Special Meeting. The Intermediary will be entitled to receive \$0.1784, once again providing the vote is valid and not subsequently withdrawn;

Votes "FOR" the Arrangement **recorded after December 31, 2015 but prior to or on January 5, 2016 by 9:00 a.m.** (Toronto time)

- The holder of the Series 4 Preferred Share will be entitled to receive \$0.1784 per share provided such vote is valid and is not subsequently withdrawn prior to the Special Meeting. The Intermediary will be entitled to receive \$0.0892, once again providing the vote is valid and not subsequently withdrawn.

Votes "FOR" the Arrangement **recorded after January 5, 2016** or at the Special Meeting, will receive no such one-time consent payment, unless Dundee determines otherwise in its discretion.

Q: Why is the Investment Advisor receiving a portion of the Consent Fee?

There are several reasons for which Dundee has decided to provide the Consent Fee to the Investment Advisors:

- First, it is consistent with market practice. For any brokered transaction, a fee is typically paid to the Investment Advisor in order to facilitate the transaction. This is true of new issue equity, new issue bonds and other securityholder consent plans. Further, for new issue equity offerings, the fee paid to the advisor would be substantially more. In order to make the Arrangement as seamless as possible, Dundee thought it best to be consistent with market practice.
- Second, the consent fee for advisors is designed to help Dundee achieve a strong turnout for the Special Meeting given that the Series 4 Preferred Shares are very widely held and primarily by retail holders. In this case, voter turnout may be adversely affected by the Holiday Season when there can be numerous distractions for those that are custodians of client accounts. The Corporation thought the incentive fee would help focus these market participants. Our records show that the average shareholder holds approximately \$40,000 worth of Series 4 Preferred Shares, making the average Investment Advisor fee per shareholder \$400 for an early vote and \$200 for a late vote.
- Furthermore, by spending this money upfront and seeking to ensure that there would be no need to adjourn the Special Meeting, Dundee believes that there will be offsetting savings that will more than compensate for this dispensation to Investment Advisors.

Q: What do shareholders get if they vote AGAINST the Plan of Arrangement?

If the Arrangement is approved and completed, shareholders who vote against the Arrangement will receive the Series 5 Preferred Shares and will be entitled to all the benefits of the increased dividend unless such shareholder exercised their dissent rights, in which case, they would be entitled to rights as a dissenting shareholder. Shareholders who vote against the Arrangement will not get the Consent Fee, as it is payable solely to those who consent.

If the Arrangement is not approved and not completed, all shareholders are unaffected.

Q: Should the Series 4 Preferred Shareholders approve the Exchange and the Plan of Arrangement, what other approvals are required?

Once approved by not less than two-thirds (66 2/3%) of the votes cast by the Series 4 Preferred Shareholders at the Special Meeting, completion of the Arrangement is then conditional on, among other things, the approval of the

Toronto Stock Exchange and the Court, dissenting rights not being exercised by more than 10% of the issued and outstanding Series 4 Preferred Shares, and any required lender approvals and other conditions which are disclosed in more detail in the Circular. Some of these conditions can be waived by Dundee.

Q: Should the Proposed Exchange not be approved, does the Corporation intend to convert the Series 4 Preferred Shares to Class A subordinate voting shares, or does it intend to pay cash for Series 4 Preferred Shares tendered for redemption?

In advance of issuing the Circular, the Corporation consulted with several advisors whose clients are holders of Series 4 Preferred Shares to confidentially discuss the conditions pursuant to which the Corporation would be able to solidify an extension of the redemption date. The Corporation is confident that the metrics as outlined in the Circular are favourable.

In the event that the Proposed Exchange is not approved, the Corporation may avail itself of other options, including among other things reassessing the terms of the extension of the redemption date, acquiring the shares in the market for subsequent cancellation, redeeming the shares for cash in whole or in part, allowing holders to tender their shares for cash under the current terms of the Series 4 Preferred Shares, or exercising the Corporation's right to settle the terms of the Series 4 Preferred Shares by converting the Series 4 Preferred Shares in whole or in part to Class A subordinate voting shares.

Q: What happens to Series 4 Preferred Shareholders who exercise their right to dissent?

A shareholder who exercises his or her right to dissent may be entitled, in the event the Arrangement becomes effective, to be paid the fair value of the Series 4 Preferred Shares held. The fair value shall be determined as of the close of business on the day before the Arrangement Resolution is adopted. The fair value could be determined to be less than the value of the Series 5 Preferred Shares that would have been received by a dissenting shareholder had they not exercised their dissent rights.

The shareholder that wishes to exercise their dissent rights should seek the appropriate professional investment advice prior to making a decision.

Q. Is the transaction in the best interests of the Corporation and its shareholders?

The Board of Directors of Dundee has determined that the Plan of Arrangement is in Dundee's best interests as well as being fair to the Series 4 Preferred Shareholders and the holders of all other classes and series of shares of the Corporation. It has unanimously recommended that the Series 4 Preferred Shareholders vote "FOR" the Arrangement Resolution. The Board of Directors' determination is based on various factors, including a fairness opinion of GMP Securities.

Q. What are the tax implications to the Proposed Exchange of the Series 4 Preferred Shares for Series 5 Preferred Shares?

- A. Holders of the Series 4 Preferred Shares are encouraged to consult their own tax advisors in respect of the tax implications of the Proposed Exchange, as the tax consequences of the Proposed Exchange will vary depending on an individual's personal tax situation. Further information about the tax consequences of the Proposed Exchange may be found in the Circular under "Certain Canadian Federal Income Tax Considerations".

However, and subject to the restrictions as outlined in the Circular, Canadian residents that hold the Series 4 Preferred Shares as capital property will not realize a gain or loss on the exchange of the Series 4 Preferred Shares to Series 5 Preferred Shares and such shareholder's adjusted cost base in the Series 5 Preferred Shares will be equal to the adjusted cost base of the Series 4 Preferred Shares immediately prior to the Proposed Exchange.

A holder of the Series 4 Preferred Shares that receives a Consent Fee in respect of the Proposed Exchange will generally be required to include the Consent Fee in computing his or her taxable income.

Holders of the Series 4 Preferred Shares who are not Canadian residents, or who do not hold the Series 4 Preferred Shares as capital property should consult their own tax advisors.

Q. How do I get more information?

- A. The Management Information Circular is available on Dundee Corporation's website (www.dundeecorp.com) and through SEDAR.

Shareholders requiring additional information can contact the Corporation's proxy solicitation agent, Shorecrest Group Ltd., by telephone at 1-888-637-5789 (toll free in North America) or 1-647-931-7454 (collect outside North America) or by email at contact@shorecrestgroup.com.