Q4

2014

Management's Discussion and Analysis

dream

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Overview

Dream is one of Canada's leading real estate companies with approximately $14.6 billion of assets under management in North America and Europe at December 31, 2014. The scope of the business includes land development, housing and condominium development, asset management for four TSX-listed funds, investments in Canadian renewable energy infrastructure, and commercial property ownership. Dream has an established track record for being innovative and for its ability to source, structure and execute on compelling investment opportunities.

The Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Dream Unlimited Corp. (the "Company" or "Dream"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the consolidated financial statements of Dream, including the notes thereto, as at and for the year ended December 31, 2014. The financial statements underlying this MD&A, including 2013 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts contained within this MD&A are in thousands of Canadian dollars, unless otherwise specified.

Unless otherwise specified, all references to "we", "us", "our" or similar terms refer to Dream Unlimited Corp. and its subsidiaries.

This MD&A is dated as of February 12, 2015.

Completed approximately

$20 billion

of real estate and renewable power transactions

Strategy and Business Focus

We intend to continue growing our business by seeking out new opportunities where we can use our experience and expertise, relationships and capital to achieve attractive risk-adjusted returns. We expect that our growth will be driven by several factors, some of which are discussed below.

More Land in Production in High-Growth Markets

A large part of our land development and housing asset base is located in Saskatoon, Regina, Calgary and Edmonton, which are four of Canada's fastest growing cities. We own and have under contract 10,125 acres of land in Western Canada, of which over 9,000 acres are in 10 large master-planned communities at various stages of approval. We estimate that, when approved, these master-planned communities will supply lots for the next 25 to 35 years. We are working to increase the number of lots that we develop in each of these markets. In 2014, we consumed approximately 312 acres, or 4% of the 8,233 acres that we had available for development, to generate gross margin from land development activities. We plan to continue to leverage our expertise to develop phased, master-planned communities.

Approximately

$14.6 billion

of assets under management as at December 31, 2014

Continue Acquiring and Developing Land in Key Markets

We are continuously looking to increase and/or develop more of our land inventory and intend to reinvest a significant portion of our profits from residential development into our core business.

Build More on Our Owned Lands

We will increase our profitability by increasing the amount of development on our owned lands. Historically, we have sold all multi-family sites, retail sites and commercial sites to third parties and have only constructed single family homes in Saskatoon and Regina. Over time, the development approval process has become increasingly difficult, making approved land scarcer, and also more valuable. We have expanded our operations to include development on our owned lands by i) increasing homebuilding activities in Saskatoon and Regina; ii) employing our experienced multi-family development group in Toronto to work with our Saskatoon and Regina housing teams to develop multi-family housing in Saskatchewan; and iii) developing retail properties within our master-planned communities.

On January 20, 2015, Dream and Canadian Pacific ("CP") entered into an agreement to form a joint venture, which will allow Dream to identify and develop CP real estate assets that are in excess to their operations.

Approximately

39% IRR

delivered to shareholders over last 11+ periods, based on market capitalization, at December 31, 2014

Asset Management and Advisory Services

As the asset manager for four publicly listed funds, we are on the front line and well-positioned to observe, in real time, the impact of economic trends on the drivers of demand for real property, such as demand for space, urbanization trends and employment levels in each of the markets in which we operate our development business. This access to real-time economic data may provide us with a competitive advantage over other developers. Our asset management and advisory services business also includes hard asset, alternative investments such as renewable power; real estate loans and mortgages; and mixed use, residential and retail development projects. It also includes the management of partner interests and asset management over our 100% owned assets. Investors in Dream and the listed funds whose assets we manage benefit from our team of experienced professionals overseeing the different portfolios. Altogether, in 2014, Dream has overseen the creation of the $1.0 billion Dream Hard Asset Alternatives Trust, $662 million in acquisitions, $517 million of dispositions, and leasing of 6.9 million square feet of commercial space.

We expect to continue to grow our asset management business by providing value to the listed funds' investors and growing the listed funds to increase the value per unit for their respective investors. We will also continue to seek out other opportunities to independently manage third parties and/or create new, unique investment vehicles that provide investors with retirement income and the potential for capital appreciation. The growth of assets under management is expected to increase our profitability.

Other

Historically, we have sought new areas of investment that look attractive. We traditionally invest small amounts of capital and, as we develop expertise in an industry we find attractive, we invest more capital. We will actively seek other opportunities to grow our business by employing our expertise and capital to create high returns and, where appropriate, increasing our returns by co-investing with others.

It will take time to see the results from our strategy outlined above as it takes longer to achieve results from building on owned land than from selling it to a third party. It will also take us time to ramp up as we can only develop our land when it is approved for development. Building on owned land delays the recognition of profit as the land sale is not recognized until the home being built on the lot is occupied by the buyer. In comparison, when selling land to a third party, the profit is recognized on receipt of a 15% deposit from the land buyer. Nevertheless, we expect that, in a few periods, we will generate significant returns from building on our owned land.

These are only some of the levers through which we expect to generate higher profitability within our Company going forward. Our management team is strong and experienced, especially the founding management team, which is still actively overseeing our operations. Dream has a proven track record of creating value. We believe that as a public company we benefit from increased profile awareness, which will lead to even more opportunities for profitability and growth in the periods ahead.

10,100 acres

including lands under commitment in Western Canada

Completed the development and sale of over

18,600

single family lots

Projects consisting of

3,800

condominiums and

3,200

single family homes.

Key Financial Information and Performance Indicators

Selected Financial Information – Balance Sheet

A substantial part of the Company's future cash flows will be derived from the Company's land inventory. As a result, management regularly reviews the Company's land holdings.

		2014		2013		2012
Land held for development	**$**	**383,751**	$	358,333	$	230,483
Land under development		**143,209**		101,368		128,704
Housing inventory		**71,588**		63,338		48,260
Condominium inventory		**75,515**		79,794		90,267
Investment properties		**94,072**		59,350		51,008
Recreational properties		**26,970**		19,779		21,709
	$	**795,105**	$	681,962	$	570,431

Dream also carries investments in the development of the Canary District, the Pan/Parapan American Games Athletes' Village and the King Edward Hotel, all in Toronto, and in a renewable energy infrastructure fund. These investments are excluded from the amounts above (see "Equity Accounted Investments").

Selected Financial Information – Income Statement

	Three months ended December 31				Year ended December 31			
(in thousands of dollars, except per share amounts)		**2014**		2013		**2014**		2013
Revenue	**$**	**127,169**	$	148,504	**$**	**388,415**	$	514,483
Gross margin[1]	**$**	**48,607**	$	57,086	**$**	**134,335**	$	167,579
Gross margin (%)		**38.2%**		38.4%		**34.6%**		32.6%
Net margin[2]	**$**	**40,637**	$	50,106	**$**	**106,243**	$	139,952
Net margin (%)		**32.0%**		33.7%		**27.4%**		27.2%
Earnings for the period before tax	**$**	**53,729**	$	44,256	**$**	**109,316**	$	131,256
Earnings for the period[3]	**$**	**38,384**	$	31,551	**$**	**77,456**	$	118,665
Basic earnings per share[4]	**$**	**0.34**	$	0.30	**$**	**0.69**	$	1.09
Diluted earnings per share[4]	**$**	**0.33**	$	0.30	**$**	**0.69**	$	1.07

(1) Gross margin (see "Non-IFRS Measures") represents revenue less direct operating costs and asset management and advisory services expenses, excluding selling, marketing and other operating costs.
(2) Net margin (see "Non-IFRS Measures") represents gross margin, as defined above, net of selling, marketing and other operating costs.
(3) Prior period comparative earnings for the year ended December 31, 2013 include a non-recurring adjustment reducing the deferred income tax liability by $24,048 as more fully described in Note 22 of the consolidated financial statements for the year ended December 31, 2014.
(4) Comparative earnings per share calculations are based on the share structure post-reorganization, attributable to the outside shareholders.

The Company evaluates its land, housing and condominium development results using gross and net margin, as defined above. The asset management and advisory services segment and the investment and recreational properties segment are evaluated using net margin. Used as a percentage to evaluate operational efficiency, these margins are used as fundamental business considerations for updating budgets, forecasts and strategic planning.

Selected Financial Information – Earnings Attribution

	Three months ended December 31				Year ended December 31			
		2014		2013		**2014**		2013
Total earnings for the year attributable to:								
Shareholders of Dream:								
Outside shareholders	**$**	**26,946**	$	22,447	**$**	**54,010**	$	82,620
Other shareholder		**-**		-		**-**		10,346
Total earnings attributable to shareholders		**26,946**		22,447		**54,010**		92,966
Non-controlling interest		**11,438**		9,104		**23,446**		25,699
Earnings for the year	**$**	**38,384**	$	31,551	**$**	**77,456**	$	118,665

Quarterly Business Trends

(in thousands of dollars, except per share amounts)	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenue	**$ 127,169**	$ 77,704	$ 99,619	$ 83,924	$ 148,504	$ 124,357	$ 119,715	$ 121,907
Earnings for the period	**38,384**	7,825	17,621	13,627	31,551	20,167	44,893	22,054
Basic earnings per share	**0.34**	0.07	0.16	0.12	0.30	0.18	0.41	0.20

The Company's quarterly results vary significantly from quarter to quarter due to the seasonality of our operations, the timing of housing and condominium occupancies and the mix of assets sold. Based on our geographic location, most of our development activity takes place between April and October due to weather constraints, while sales orders vary depending on the rate at which builders work through inventory, which is affected by weather and market conditions. Traditionally our highest sales volume quarter for our land and housing divisions has been the fourth quarter, while our lowest has been the first quarter.

The Company's housing and condominium operations recognize revenue at the time of delivery and, as a result, revenues and direct costs vary depending on the number of units occupied in a particular period. In addition, marketing expenses are recognized when they are incurred and are accordingly not tied to the number of units occupied in a particular period.

Fee revenues generated within our asset management operations are contractual in nature and our base level fees have increased over the past eight quarters due to growth in our fee earning assets under management. However, it is important to note that fees earned on acquisition activity in a period are not recurring in nature and will impact related margins.

Selected Operating Metrics

(in thousands of dollars, except average selling price and units)	Three months ended December 31				Year ended December 31			
		2014		2013		**2014**		2013
LAND DEVELOPMENT								
Lot revenue	**$**	**70,116**	$	94,194	**$**	**108,294**	$	220,178
Acre revenue	**$**	**13,840**	$	3,078	**$**	**45,355**	$	27,570
Revenue[(1)]	**$**	**83,956**	$	97,272	**$**	**153,649**	$	247,748
Gross margin[(1)]	**$**	**34,398**	$	45,888	**$**	**61,257**	$	97,434
Gross margin (%)		**41.0%**		47.2%		**39.9%**		39.3%
Net margin[(1)]	**$**	**32,229**	$	43,823	**$**	**52,284**	$	89,084
Net margin (%)		**38.4%**		45.1%		**34.0%**		36.0%
Lots sold		**485**		800		**821**		1,861
Average selling price – lot units	**$**	**145,000**	$	118,000	**$**	**132,000**	$	118,000
Acres sold		**21**		2		**61**		41
Average selling price – acre units	**$**	**658,000**	$	1,539,000	**$**	**755,000**	$	673,000
HOUSING DEVELOPMENT								
Housing units occupied		**59**		65		**219**		290
Revenue[(1)]	**$**	**24,274**	$	27,877	**$**	**93,111**	$	122,084
Gross margin[(1)]	**$**	**4,875**	$	5,400	**$**	**19,010**	$	26,409
Gross margin (%)		**20.1%**		19.4%		**20.4%**		21.6%
Net margin[(1)]	**$**	**1,780**	$	2,834	**$**	**7,746**	$	17,003
Net margin (%)		**7.3%**		10.2%		**8.3%**		14.2%
Average selling price – housing units	**$**	**411,000**	$	429,000	**$**	**425,000**	$	423,000
CONDOMINIUM DEVELOPMENT								
Attributable to Dream, excluding equity accounted investments								
Condominium occupancies – units		**3**		14		**172**		195
Revenue[(2)]	**$**	**2,618**	$	6,015	**$**	**73,475**	$	78,528
Gross margin[(3)]	**$**	**166**	$	157	**$**	**22,020**	$	15,326
Gross margin (%)		**6.3%**		2.6%		**30.0%**		19.5%
Net margin	**$**	**(1,533)**	$	(506)	**$**	**18,246**	$	10,766
Net margin (%)		**n/a**		-8.4%		**24.8%**		13.7%
Average selling price of condominiums occupied								
Per unit	**$**	**530,000**	$	442,000	**$**	**381,000**	$	364,000
Per square foot	**$**	**573**	$	589	**$**	**505**	$	512
Pre-sold condominiums – units		**347**		450		**347**		450
ASSET MANAGEMENT AND ADVISORY SERVICES								
Fee earning assets under management – listed funds	**$**	**11,710,220**	$	10,646,986	**$**	**11,710,220**	$	10,646,986
Revenue	**$**	**10,964**	$	9,767	**$**	**39,867**	$	42,270
Net margin[(4)]	**$**	**8,807**	$	4,173	**$**	**28,384**	$	24,919
Net margin (%)		**80.3%**		42.7%		**71.2%**		59.0%
INVESTMENT AND RECREATIONAL PROPERTIES								
Revenue	**$**	**9,864**	$	11,880	**$**	**43,041**	$	43,633
Net margin[(5)]	**$**	**903**	$	1,191	**$**	**4,539**	$	4,461
Net margin (%)		**9.2%**		10.0%		**10.5%**		10.2%

(1) Results include land revenues and net margin on internal lot sales to our housing division as the homes have been sold to external customers by the housing division during the year. Revenue (and net margin) results of $4.5 million ($1.5 million) and $14.7 million ($5.0 million) during the quarter and year ended December 31, 2014 and $4.3 million ($1.4 million) and $19.8 million ($6.3 million) in the same periods of the prior year, recognized in both the land and housing divisions, have been eliminated on consolidation. For more details, please refer to page 10 of our MD&A.

(2) Comparative Condominium revenue results include a reclassification of guarantee fees income, previously included in investment and other income.

(3) Gross margin for condominium operations includes interest expense which is capitalized during the development period and expensed through cost of sale as units are occupied.

(4) Net margin in 2013 includes costs that have been reallocated to their respective operating segments in 2014, primarily relating to salaries and benefits.

(5) Net margin for investment and recreational properties includes depreciation expense.

Overall Business

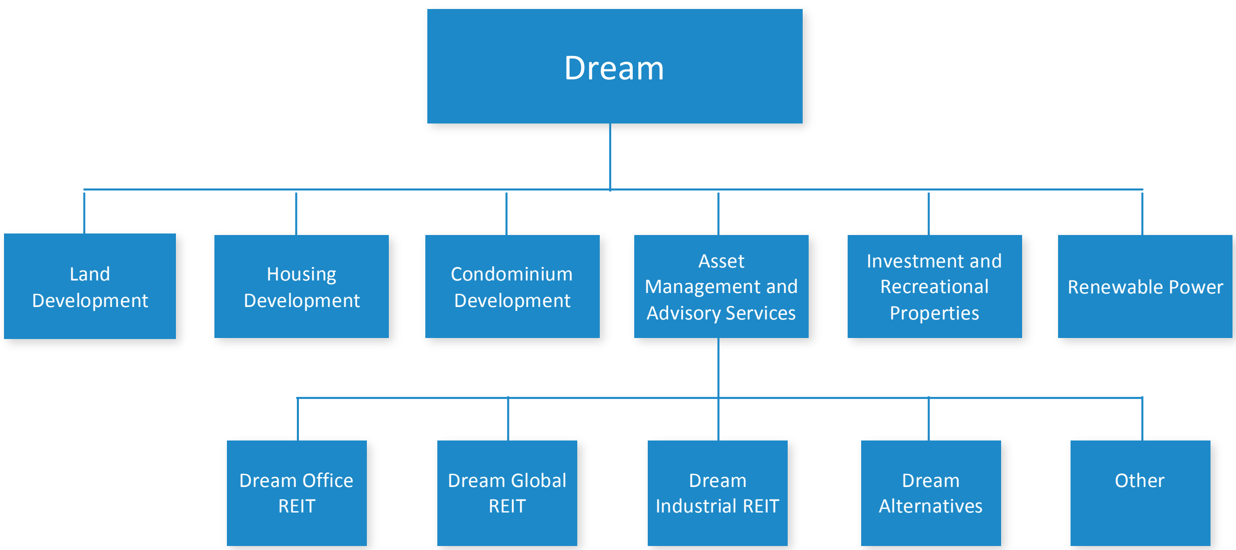
We were founded in 1996 and are today one of Canada's leading real estate companies. Headquartered in Toronto, we are an innovative real estate manager and developer primarily focused on the commercial and residential sectors in Canada, the United States and Germany. The scope of our business includes the following areas of expertise.

- **Land Development**
- **Housing Development**
- **Condominium Development**
- **Asset Management and Advisory Services**
- **Investment and Recreational Properties**
- **Renewable Power**

From the outset, we have successfully identified and executed on opportunities for the benefit of the business and shareholders, including the creation of Dundee Realty Corporation ("Dundee Realty") in 1996 as a public company, its subsequent privatization in 2003, the creation of Dream Office REIT (formerly Dundee REIT) in 2003, the sale by Dream Office REIT of substantial assets in 2007, the establishment of our asset management business, and the creation of Dream Global REIT (formerly Dundee International REIT), Dream Industrial REIT (formerly Dundee Industrial REIT) and Dream Hard Asset Alternatives Trust ("Dream Alternatives") in 2011, 2012 and 2014, respectively.

On May 30, 2013, we became a publicly traded company following a reorganization whereby Dundee Corporation transferred its 70.05% interest in Dundee Realty to Dream. The earnings for the comparative periods and for the period up to May 30, 2013 are those of Dundee Realty. In January 2014, Dundee Realty changed its name to Dream Asset Management Corporation ("DAM").

The chart below illustrates the structure and diversity of our business:



Land Development

Dream actively develops land in Saskatoon, Regina, Calgary and Edmonton. Land development involves the conversion of raw land to the stage where homes and commercial buildings may be constructed on the land. This process begins with the purchase or control of raw land, generally known as land held for development, and is followed by the entitlement and development of the land. Once the process of converting raw or undeveloped land for end use has begun, that portion of the land that we conduct activity on is generally known as land under development.

One of the most important milestones for us to achieve on our lands is approval of the area structure or sector plan, as this identifies areas of expansion and infrastructure needs, which require the greatest level of capital expenditure. Achievement of this stage of approval also removes much of the uncertainty associated with the timing of land development. This is followed by the approval of a neighbourhood plan, which involves working with the local city government to establish a neighbourhood plan that outlines what density and what types of housing will be constructed on the lands. Other uses include parks and commercial development, subject to any constraints. Once the plan is approved, we provide all required municipal utilities to improve the land and commence building. Regulatory bodies at various governmental levels must approve the proposed end use of the land and many of the details of the development process. The time required to obtain the necessary approvals varies. In most jurisdictions, development and extension of municipal services occurs concurrently on a contiguous basis. The zoning and subdivision plan is the final stage of approval. Each of these last two stages, the neighbourhood plan and the zoning and subdivision plan, may take in excess of two years to complete.

Generally, Dream's developments are a minimum of 140 acres, often between 460 and 900 acres, and can be as large as 3,000 acres. Once approved, a neighbourhood plan outlines how the land will be developed and each year we determine which area will be developed. Generally, any housing area will range from developing 100 to 250 lots at one time. We often release more than one stage of lots in each subdivision each year and we try to maintain flexibility to increase or decrease the number of lots we produce each year to meet demand. Having said that, most years, the issue we face is the capacity in each market to develop sufficient lots. Other than the approval process, which over time has become increasingly difficult and has been taking more time, the two main constraints are the availability of labour and weather conditions. Weather has a significant impact on the rate of development activity and spending. Excessively wet weather halts construction work on the land and affects the functionality of equipment. Excessively cold weather restricts the type of development activities that can be completed and/or the cost to complete them.

Lots and acres are brought to market throughout the year, a process through which we offer fully serviced lots and acres to third-party developers who then construct, market and sell residential (single or multi-family) and commercial properties. We also retain a portion of lots and build houses on our own lands and also market and sell the homes we construct. Generally, we build homes on 15% to 20% of our lands in Saskatchewan. We have recently undertaken initiatives to commence building retail on some of our own lands, as in many cases the construction is not overly complex and the demand for retail is being created by our residential development.

Land Held for Development

- Acquire and assemble land that complements our current holdings at fair prices

- **8,318 acres owned in Western Canada**
- **1,341 acres under contract**

Land Under Development

- Take raw land through the following approval stages, as required, to a state where it can be sold to a third party or homes and commercial buildings may be constructed:
  1. Not Annexed
  2. Annexed
  3. Sector Plan
  4. Area Structure Plan
  5. Subdivision Plan

- **3,042 lot equivalents**

Build Residential and Commercial

- **Residential:** construction of single family homes and multi-family buildings such as townhouses and condominiums

- **Commercial:** construction of retail sites

Sell to Third Party

- Sell residential and commercial property to third parties

Housing Development
We currently have housing operations in Saskatoon and Regina, where there are 270 units under construction. Residential homebuilding involves the construction of single family houses and multi-family buildings such as townhouses and condominiums. Each dwelling is generally referred to as a "unit". A planned community typically includes a number of "lots" on which single family units will be situated, as identified in the neighbourhood plan. Construction time for a residential home depends on a number of factors, including the availability of labour, materials and supplies; weather; and the type and size of home.

Condominium Development
Our core high-rise condominium development business consists of operations in Toronto, where we have condominium inventory of 1,776 units, with 961 units held through direct ownership (379 units at Dream's share) and 815 units held through equity accounted investments (406 units at Dream's share) in various stages of active development. High-rise condominium development typically does not commence until a substantial number of units have been pre-sold. A few months after substantial completion and customer occupancy of the building, the developer obtains all necessary approvals and the building is registered, purchasers pay the balance of the purchase price and title is transferred.

Asset Management and Advisory Services
Our asset management and advisory services team consists of real estate professionals with backgrounds in property management, architecture, urban planning, engineering, construction, finance, accounting and law. The team brings experience from virtually all of the major real estate organizations in Canada, as well as being internally trained, and has expertise in capital markets, structured finance, real estate investments and management across a broad spectrum of property types in diverse geographic markets. We carry out our own research and analysis, financial modelling, due diligence and financial planning and have completed approximately $20.0 billion of commercial real estate transactions over the past 20 years.

We provide advisory services to four listed funds, our renewable power business and various partner and third-party real estate assets. The majority of our fee income is derived from providing advisory services to the following listed funds:

- Dream Office REIT (TSX: D.UN),
- Dream Global REIT (TSX: DRG.UN),
- Dream Industrial REIT (TSX: DIR.UN), and
- Dream Alternatives (TSX: DRA.UN).

Investment and Recreational Properties
Our investment properties include interests in commercial and retail properties consisting of approximately 497,000 square feet of gross leasable area ("GLA"), excluding parking, that includes The Distillery Historic District in downtown Toronto and jointly controlled entities. Our recreational properties include a ski area in Colorado, land for future condominium development in California, an interest in a ski area in California and interests in Toronto's King Edward Hotel and Broadview Hotel.

Renewable Power
We are the co-manager of a closed-ended renewable energy infrastructure fund, Firelight Infrastructure Partners LP ("Firelight"), with a major Canadian pension fund. We own 20% of a renewable power fund and 50% of a renewable power management company, and include these in our equity investments. Firelight invests in and manages renewable power projects with a focus on wind, solar and hydro. Through Dream and its partner, Firelight currently has approximately $345.0 million of committed capital available to invest, most of which has been funded to create $1.45 billion of projects that will produce approximately 290 megawatts of renewable power on completion. Dream intends to pursue growth in the renewable power industry through Dream Alternatives in the future.

Other
Our other assets include investments in Dream Office REIT and Dream Global REIT. We participate in numerous mezzanine loans and equity investments on an opportunistic basis and invest in Dream CMCC Funds I and II.

Segmented Financial Position

As at December 31, 2014		Land development		Housing development		Condominium development		Asset management and advisory services		Investment and recreational properties		Total
Inventory	$	**526,960**	$	**71,588**	$	**75,515**	$	**-**	$	**-**	$	**674,063**
Properties		**-**		**-**		**-**		**-**		**121,042**		**121,042**
Total real estate assets [1]	$	**526,960**	$	**71,588**	$	**75,515**	$	**-**	$	**121,042**	$	**795,105**
Intangible asset		**-**		**-**		**-**		**43,000**		**-**		**43,000**
Non-segmented assets												**386, 593**
Total assets											$	**1,224,698**
Provision for real estate development costs	$	**50,053**	$	**2,048**	$	**2,935**	$	**-**	$	**-**	$	**55,036**
Customer deposits		**1,942**		**2,746**		**16,969**		**-**		**1,084**		**22,741**
Construction loans		**6,171**		**41,408**		**41,065**		**-**		**-**		**88,644**
Mortgages and term debt		**33,752**		**-**		**7,469**		**-**		**30,873**		**72,094**
Total segmented liabilities	$	**91,918**	$	**46,202**	$	**68,438**	$	**-**	$	**31,957**	$	**238,515**
Non-segmented liabilities												**394,350**
Total liabilities											$	**632,865**

As at December 31, 2013		Land development		Housing development		Condominium development		Asset management and advisory services		Investment and recreational properties		Total
Inventory	$	459,701	$	63,338	$	79,794	$	-	$	-	$	602,833
Properties		-		-		-		-		79,129		79,129
Total real estate assets [1]	$	459,701	$	63,338	$	79,794	$	-	$	79,129	$	681,962
Non-segmented assets												413,616
Total assets											$	1,095,578
Provision for real estate development costs	$	62,853	$	2,574	$	1,114	$	-	$	-	$	66,541
Customer deposits		2,460		3,127		23,491		-		637		29,715
Construction loans		-		36,479		35,215		-		-		71,694
Mortgages and term debt		53,084		-		9,644		-		26,877		89,605
Total segmented liabilities	$	118,397	$	42,180	$	69,464	$	-	$	27,514	$	257,555
Non-segmented liabilities												382,420
Total liabilities											$	639,975

[1] Real estate assets exclude investments in jointly controlled entities.

Segmented Results of Operations

For the year ended December 31, 2014

		Land development		Housing development		Condominium development		Asset management and advisory services		Investment and recreational properties		Eliminations[1]		Total
Revenues	$	153,649	$	93,111	$	73,475	$	39,867	$	43,041	$	(14,728)	$	388,415
Direct operating costs		(92,392)		(74,101)		(51,455)		-		(35,359)		9,772		(243,535)
Asset management and advisory services expenses		-		-		-		(10,545)		-		-		(10,545)
Gross margin[2]		61,257		19,010		22,020		29,322		7,682		(4,956)		134,335
Selling, marketing and other operating costs		(8,973)		(11,264)		(3,774)		(938)		(3,143)		-		(28,092)
Net margin[2]	$	52,284	$	7,746	$	18,246	$	28,384	$	4,539	$	(4,956)	$	106,243
General and administrative expenses														(14,308)
Fair value changes in investment properties														28,369
Loss on sale of recreational properties														(76)
Share of earnings from equity accounted investments														324
Investment and other income														5,880
Gain on derivative financial instruments														32
Interest expense														(17,148)
Income tax expense														(31,860)
Earnings for the year													$	77,456

For the year ended December 31, 2013

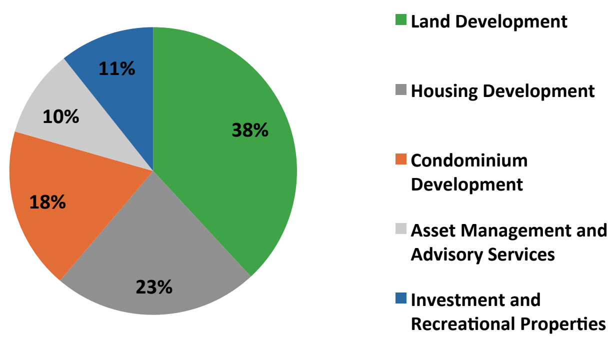
		Land development		Housing development		Condominium development		Asset management and advisory services		Investment and recreational properties		Eliminations[1]		Total
Revenues	$	247,748	$	122,084	$	78,528	$	42,270	$	43,633	$	(19,780)	$	514,483
Direct operating costs		(150,314)		(95,675)		(63,202)		-		(36,823)		13,499		(332,515)
Asset management and advisory services expenses		-		-		-		(14,389)		-		-		(14,389)
Gross margin[2]		97,434		26,409		15,326		27,881		6,810		(6,281)		167,579
Selling, marketing and other operating costs		(8,350)		(9,406)		(4,560)		(2,962)		(2,349)		-		(27,627)
Net margin[2]	$	89,084	$	17,003	$	10,766	$	24,919	$	4,461	$	(6,281)	$	139,952
General and administrative expenses														(9,684)
Fair value changes in investment properties														3,203
Gain on sale of recreational properties														1,895
Share of earnings from equity accounted investments														1,043
Investment and other income														9,009
Gain on derivative financial instruments														180
Interest expense														(14,342)
Income tax expense														(12,591)
Earnings for the year													$	118,665

(1) Results include housing land sales to external customers which are recognized in both the land and housing divisions.

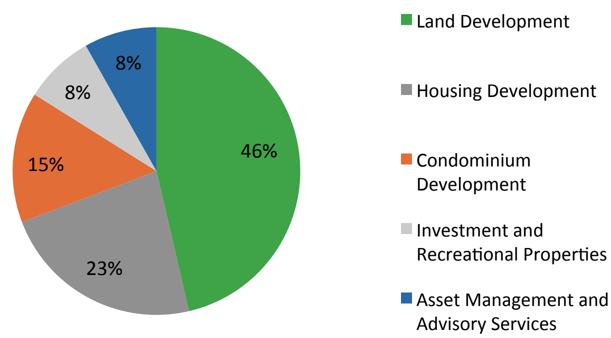
(2) Results from operations through jointly controlled entities are excluded from gross and net margin and are included in share of earnings from equity accounted investments.

Revenue by Segment

2014

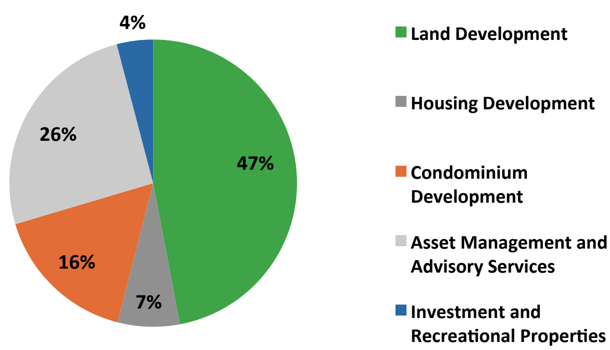


2013

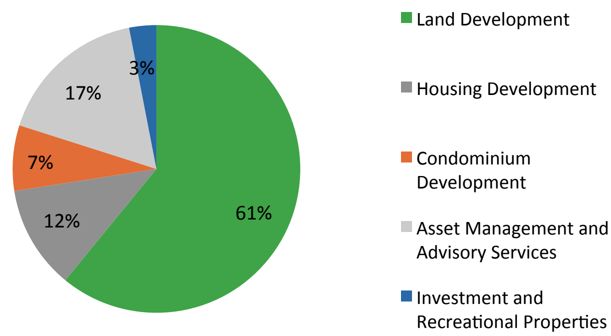


Net Margin by Segment

2014

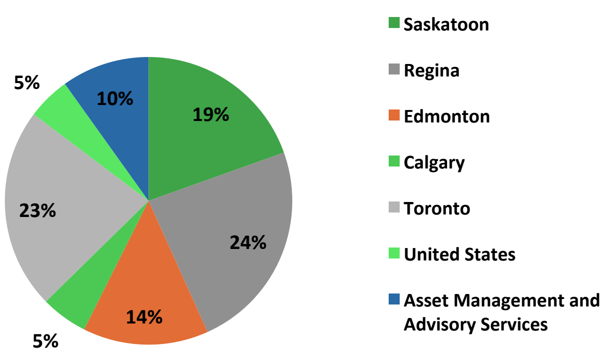


2013

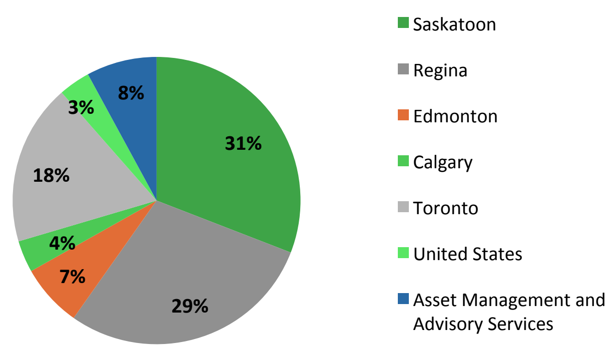


Revenue by Geographic Location

2014



2013



Revenue and net margin by segment as reported above are before any eliminations.

Land Development

Real estate assets include inventory of land held for development and land under development.

Raw land is usually unentitled property without the regulatory approvals which allow the construction of residential, industrial, commercial and mixed use developments. Acquiring and developing raw land requires significant time and capital expenditures and has associated carrying costs related to the approval process. Once substantial development work is underway (such as grading, installation of water and sewer services, and provision of roads, power and landscaping), the land is referred to as land under development. Where our land discussion includes references to acres, this is a gross acre measure, which includes both developable and non-developable land. Examples of non-developable land include roads, parks, and municipal and environmental reserves which may not be identified until after the land is purchased and subsequently approved.

At December 31, 2014, our land portfolio, including land held for development and land under development, consisted of 8,649 acres and 965 lots in various stages of development. This represents 8,802 acre equivalents. Dream also has commitments to purchase an additional 1,341 acres, for a total of 10,143 acres.

(in thousands of dollars, except lots and acres)									**As at December 31, 2014**
	Land held for development			**Land under development**					
		Cost	**Acres**		**Cost**	**Acres**	**Lots**		**Total**
Saskatoon	$	65,194	2,406	$	42,916	153	277	$	108,110
Regina		116,012	2,611		36,357	68	460		152,369
Calgary		160,859	2,368		22,830	58	109		183,689
Edmonton		40,373	933		39,557	36	119		79,930
Toronto		-	-		1,125	14	-		1,125
Other		1,313	2		424	-			1,737
Total inventory	**$**	**383,751**	**8,320**	**$**	**143,209**	**329**	**965**	**$**	**526,960**
Land under commitment	**$**	**78,477**	**1,341**					**$**	**78,477**

		Land held for development		**Land under development**		**Total**
Balance, December 31, 2013	$	358,333	$	101,368	$	459,701
Acquisitions		17,712		92		17,804
Development		15,576		129,830		145,406
Recoverable costs, net of recoveries		507		2,921		3,428
Transfers		(8,496)		8,496		-
Lot and acre sales		-		(90,440)		(90,440)
Transfers to housing inventory		-		(9,058)		(9,058)
Other		119		-		119
Balance, December 31, 2014	**$**	**383,751**	**$**	**143,209**	**$**	**526,960**

The carrying value of our land portfolio increased to $527.0 million at December 31, 2014 from $459.7 million at December 31, 2013, representing an increase of 14.6% due to acquisitions and development, net of selling activities.

Breakdown of Lot Inventory in Land under Development

Lot inventory included in land under development, by geographic location, is summarized in the following table:

(lot units)	**Lots with deposits collected**	**Lots for internal construction**	**Lots available for sale and/or under construction**	**Total at December 31, 2014**
Saskatoon	-	217	60	277
Regina	5	138	317	460
Calgary	-	19	90	109
Edmonton	-	-	119	119
Total lot inventory	**5**	**374**	**586**	**965**

(lot units)	Lots with deposits collected	Lots for internal construction	Lots available for sale and/or under construction	Total at December 31, 2013
Total lot inventory	44	283	363	690

Lots with deposits include those where the Company has received deposits of less than 15% of the total selling price from a committed purchaser. Lots for internal construction are those that will be transferred to the Company's housing division upon completion of land development. Lots available for sale and/or under construction are those where the Company has commenced development and will be sold to third parties. The Company internally evaluates the mix of lots retained for internal development and those sold to third parties based on market supply and demand, competition and the financial benefit of each alternative.

Breakdown of Land under Commitment

Dream has entered into various agreements to purchase land, as outlined below. Until the final payment is made, this land does not form part of our land held for development inventory. Based on deposits made to date of $45.6 million and an additional $32.9 million to be made through 2017, our land inventory will increase by 1,341 acres over the next three years.

(in thousands of dollars, except for acres)	Total commitments	Acquisition deposits	Remaining commitments	Acres	Remaining commitments			
					2015	2016	2017	Total
Land purchase deposits and future commitments	$ 78,476	$ 45,597	$ 32,879	1,341	$ 26,520	$ 4,981	$ 1,378	$ 32,879

Within land purchase deposits is $17.9 million for 560 acres of land, which includes 400 acres adjacent to existing inventory in the east sector of Saskatoon and 160 acres in Crossfield, Alberta (located to the immediate north of Airdrie). Of this, $17.5 million relates to remaining commitments to be funded in 2015 and 2016. Also added to land inventory during the year were 160 acres in northwest Regina, as final commitment payments were made.

Results of Operations – Land

		2014		2013
Land revenue				
Saskatoon	**$**	**33,463**	$	114,617
Regina		**41,239**		76,221
Calgary		**21,196**		19,142
Edmonton		**56,999**		37,724
Other		**752**		44
Total	**$**	**153,649**	$	247,748
Net margin				
Saskatoon	**$**	**6,521**	$	43,235
Regina		**14,787**		24,137
Calgary		**8,416**		7,264
Edmonton		**22,329**		14,407
Other		**231**		41
Total	**$**	**52,284**	$	89,084
Net margin (%)				
Saskatoon		**19.5%**		37.7%
Regina		**35.9%**		31.7%
Calgary		**39.7%**		37.9%
Edmonton		**39.2%**		38.2%
Other		**n/a**		n/a
Total		**34.0%**		36.0%
Lots sold				
Saskatoon		**180**		869
Regina		**252**		665
Calgary		**77**		64
Edmonton		**311**		262
Other		**1**		1
Total		**821**		1,861
Lot revenue				
Saskatoon	**$**	**22,198**	$	104,442
Regina		**24,413**		68,606
Calgary		**19,696**		14,104
Edmonton		**41,666**		32,982
Other		**321**		44
Total	**$**	**108,294**	$	220,178
Average lot selling price				
Saskatoon	**$**	**123,000**	$	120,000
Regina		**97,000**		103,000
Calgary		**256,000**		220,000
Edmonton		**134,000**		126,000
Other		**321,000**		44,000
Total	**$**	**132,000**	$	118,000
Acres sold				
Saskatoon		**21**		19
Regina		**22**		12
Calgary		**1**		5
Edmonton		**15**		5
Other		**1**		-
Total		**61**		41
Acre revenue				
Saskatoon	**$**	**11,265**	$	10,175
Regina		**16,826**		7,615
Calgary		**1,500**		5,038
Edmonton		**15,333**		4,742
Other		**431**		-
Total	**$**	**45,355**	$	27,570
Average acre selling price				
Saskatoon	**$**	**536,000**	$	502,000
Regina		**749,000**		662,000
Calgary		**1,200,000**		1,100,000
Edmonton		**998,000**		888,000
Other		**431,000**		-
Total	**$**	**755,000**	$	673,000

The results of operations for our land development division in Saskatoon, Regina, Calgary, Edmonton and other are as follows:

		2014		2013
Lot revenue	**$**	**108,294**	$	220,178
Acre revenue	**$**	**45,355**	$	27,570
Total revenue(1)	**$**	**153,649**	$	247,748
Gross margin(1)	**$**	**61,257**	$	97,434
Gross margin (%)		**39.9%**		39.3%
Net margin(1)	**$**	**52,284**	$	89,084
Net margin (%)		**34.0%**		36.0%
Lots sold		**821**		1,861
Average selling price – lot units	**$**	**132,000**	$	118,000
Acres sold		**61**		41
Average selling price – acre units	**$**	**755,000**	$	673,000

(1) Results include land revenues and net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the period. Revenue (and net margin) results of $14.7 million ($5.0 million) during the year ended December 31, 2014 and $19.8 million ($6.3 million) in the prior year, recognized in both the land and housing divisions, have been eliminated on consolidation. For more details please refer to page 10 of our MD&A.

A breakdown and discussion of each of our four major regions is below. Minor operational activities occurred in our Toronto region.

Saskatoon, Saskatchewan

		2014		2013
Lot revenue	**$**	**22,198**	$	104,442
Acre revenue	**$**	**11,265**	$	10,175
Total revenue	**$**	**33,463**	$	114,617
Gross margin	**$**	**8,306**	$	43,709
Gross margin (%)		**24.8%**		38.1%
Net margin	**$**	**6,521**	$	43,235
Net margin (%)		**19.5%**		37.7%
Lots sold		**180**		869
Average selling price – lot units	**$**	**123,000**	$	120,000
Acres sold		**21**		19
Average selling price – acre units	**$**	**536,000**	$	502,000

In the year ended December 31, 2014, net margin was generated by sales within three developments in Saskatoon: Blairmore (Kensington), Stonebridge and Hampton Village. In Stonebridge, our remaining inventory will be held for and constructed upon by our housing division over the next few years. Similarly in Hampton Village, we have begun constructing homes on the majority of our remaining lots. In 2015, we expect that lot sales will occur within Blairmore (Kensington) and Holmwood, a new development.

As previously disclosed, included in gross margin for 2014 are $4.6 million of costs relating to owed amounts to a prior land owner for their share of profits calculated in the current year, of which $3.9 million relate to land sales in 2013.

The decrease in revenue of $81.2 million and decrease in net margin of $36.7 million as compared to last year are the result of having a lower availability of lot supply, the completion in 2013 of the final phase of development in Stonebridge and the profit participation agreement costs recognized in 2014.

Regina, Saskatchewan

		2014		2013
Lot revenue	$	**24,413**	$	68,606
Acre revenue	$	**16,826**	$	7,615
Total revenue	$	**41,239**	$	76,221
Gross margin	$	**17,734**	$	26,802
Gross margin (%)		**43.0%**		35.2%
Net margin	$	**14,787**	$	24,137
Net margin (%)		**35.9%**		31.7%
Lots sold		**252**		665
Average selling price – lot units	$	**97,000**	$	103,000
Acres sold		**22**		12
Average selling price – acre units	$	**749,000**	$	662,000

In 2014, net margin was generated primarily by sales within our Harbour Landing development. We continue to service land and anticipate being complete by the end of 2015. During the year, we completed all development of our Lakeridge subdivision.

The decrease in revenue of $35.0 million and net margin of $9.4 million were due to fewer lots sales in Harbour Landing, partially offset by additional acre sales relative to 2013.

Calgary, Alberta

		2014		2013
Lot revenue	$	**19,696**	$	14,104
Acre revenue	$	**1,500**	$	5,038
Total revenue	$	**21,196**	$	19,142
Gross margin	$	**10,897**	$	10,146
Gross margin (%)		**51.4%**		53.0%
Net margin	$	**8,416**	$	7,264
Net margin (%)		**39.7%**		37.9%
Lots sold		**77**		64
Average selling price – lot units	$	**256,000**	$	220,000
Acres sold		**1**		5
Average selling price – acre units	$	**1,200,000**	$	1,100,000

In 2014, net margin was generated by sales in Evansridge and to a lesser extent in High River. Sales in High River were attributable to lots developed in prior periods. In High River, we expect servicing and sales will resume once the market is ready to absorb new inventory. In the fourth quarter of 2014, there were 70 lot sales within Evansridge. These lots were also developed in prior periods and strategically held off the market by our land division as they are in a high demand area.

The increase in revenue of $2.1 million and net margin of $1.2 million were the result of a higher level of lot sales and differences in lot mix within Evansridge, which was only partially offset by slightly lower acre sales relative to 2013.

We continue to work closely with the city of Calgary to advance the development of Providence and Panorama. In addition, we are currently pursuing approvals for our recently acquired lands in Crossfield, located to the immediate north of Airdrie.

Edmonton, Alberta

		2014		2013
Lot revenue	$	**41,666**	$	32,982
Acre revenue	$	**15,333**	$	4,742
Total revenue	$	**56,999**	$	37,724
Gross margin	$	**24,028**	$	14,818
Gross margin (%)		**42.2%**		39.3%
Net margin	$	**22,329**	$	14,407
Net margin (%)		**39.2%**		38.2%
Lots sold		**311**		262
Average selling price – lot units	$	**134,000**	$	126,000
Acres sold		**15**		5
Average selling price – acre units	$	**998,000**	$	888,000

The Meadows is our active development in Edmonton with multiple areas that we expect to remain involved in through to 2022.

The increase in revenue of $19.3 million and net margin of $7.9 million in 2014 were primarily due to a higher volume of lots and acres sold relative to the prior year and a 12-acre parcel sale to Walmart. Included in lot revenue in 2014 is $0.6 million (2013 – $nil) relating to a land development contract with a municipality that is expected to continue through to the summer of 2015.

Housing Development

At December 31, 2014, our housing inventory consisted of 430 units, comprised of houses under various stages of construction and lots held for future development, in Saskatchewan, Canada. The carrying value of our housing inventory increased by $8.3 million (13.0%) at December 31, 2014 from $63.3 million at December 31, 2013, due to additional lot purchases for future construction, development, and transfers from our land division, net of selling activity.

	Saskatoon		Regina		Total	
(in thousands of dollars, except units)	**No. of units**	**Cost**	**No. of units**	**Cost**	**No. of units**	**Cost**
Balance of inventory, December 31, 2013	108	$ 22,895	223	$ 40,443	331	$ 63,338
Acquisitions	4	1,522	104	11,190	108	12,712
Transferred from land development	128	5,377	82	3,681	210	9,058
Development	-	18,783	-	31,553	-	50,336
Housing units occupied	(97)	(23,273)	(122)	(40,583)	(219)	(63,856)
Balance of inventory, December 31, 2014	**143**	**$ 25,304**	**287**	**$ 46,284**	**430**	**$ 71,588**

Breakdown of Housing under Construction

The total housing units under construction by city is summarized in the following table:

(number of units)	**2014**	2013
Saskatoon	**109**	106
Regina	**161**	166
Total	**270**	272

Of the 270 units under construction as at December 31, 2014, 31, or 11%, are pre-sold (2013 – 49, or 18%, of 272 units under construction were pre-sold). The housing division has also received deposits on units from buyers on which construction has not yet commenced, totalling 6 units as at December 31, 2014, as compared to 8 units at December 31, 2013.

Of the 270 units under construction as at December 31, 2014, 114, or 42%, were on lots acquired internally from our land division. Of the 272 units under construction as at December 31, 2013, 214, or 79%, were on lots acquired internally from our land division. Lots acquired from our land division yield higher returns in the long run; however, the recognition of profit is delayed until the houses are occupied.

Breakdown of Land under Contract for the Housing Division

Dream has entered into various agreements to purchase land for our housing division, as outlined below. Until the final payment is made, this land does not form part of our housing inventory.

				Remaining commitments				
(in thousands of dollars, except lots)	Total commitments	Acquisition deposits	Remaining commitments	Lots	2015	2016	2017+	Total
Land purchase deposits and future commitments	$ 359	$ 45	$ 314	2	$ 314	$ -	$ -	$ 314

No new commitments were made in 2014. All lots under contract are located in Regina.

Results of Operations – Housing

		2014		2013
Housing units occupied		**219**		290
Revenue[1]	**$**	**93,111**	$	122,084
Gross margin[1]	**$**	**19,010**	$	26,409
Gross margin (%)		**20.4%**		21.6%
Net margin[1]	**$**	**7,746**	$	17,003
Net margin (%)		**8.3%**		13.9%
Average selling price – housing units	**$**	**425,000**	$	423,000

[1] Results include land revenues and net margin on internal lot sales to our housing division as the homes have been sold to external customers by the housing division during the year. Revenue (and net margin) results of $14.7 million ($5.0 million) in 2014 and $19.8 million ($6.3 million) in the prior year, recognized in both the land and housing divisions, have been eliminated on consolidation. For more details please refer to page 10 of our MD&A.

Home occupancies have decreased in 2014 relative to the prior year due to increased competition. In 2014, 139 occupied housing units were built on internal land, compared to 160 units in the prior year.

The decrease in net margin in 2014 of $9.3 million relative to the prior year is primarily due to fewer unit occupancies to absorb other fixed and operating costs incurred during the period.

A breakdown and discussion of our results for the two active housing regions is below. Minor operational activities occurred in our Toronto region.

Saskatoon, Saskatchewan

		2014		2013
Housing units occupied		**97**		105
Revenue[1]	**$**	**38,760**	$	43,903
Gross margin[1]	**$**	**8,688**	$	11,471
Gross margin (%)		**22.4%**		26.1%
Net margin[1]	**$**	**4,165**	$	8,226
Net margin (%)		**10.7%**		18.7%
Average selling price – housing units	**$**	**400,000**	$	418,000

[1] Results include land revenues and net margin on internal lot sales to our housing division as the homes have been sold to external customers by the housing division during the year. Revenue (and net margin) results of $10.0 million ($3.5 million) in 2014 and $10.6 million ($3.6 million) in the prior year, recognized in both the land and housing divisions, have been eliminated on consolidation. For more details please refer to page 10 of our MD&A.

In 2014, net margin was primarily generated within housing developments in Stonebridge and Hampton Village. Hampton Village is winding down and has minimal inventory remaining. We expect occupancies in 2015 will occur within our Stonebridge and Blairmore (Kensington) developments.

The decrease in revenue of $5.1 million and net margin of $4.1 million in 2014 compared to the prior year are the result of lower volumes and average selling prices during 2014 due to increased competition in the market.

Regina, Saskatchewan

		2014		2013
Housing units occupied		**122**		184
Revenue[1]	**$**	**54,351**	$	78,063
Gross margin[1]	**$**	**10,304**	$	14,858
Gross margin (%)		**19.0%**		19.0%
Net margin[1]	**$**	**3,565**	$	8,575
Net margin (%)		**6.6%**		11.0%
Average selling price – housing units	**$**	**446,000**	$	424,000

[1] Results include land revenues and net margin on internal lot sales to our housing division as the homes have been sold to external customers by the housing division during the year. Revenue (and net margin) results of $4.7 million ($1.5 million) in 2014 and $9.2 million ($2.7 million) in the prior year, recognized in both the land and housing divisions, have been eliminated on consolidation. For more details please refer to page 10 of our MD&A.

In 2014, net margin was primarily generated within housing developments in Harbour Landing, Westhill Park, Greens on Gardiner and Hawkstone. The Harbour Landing community was serviced by our land division.

The decrease in revenue of $23.7 million and net margin of $5.0 million in 2014 compared to the prior year were primarily due to fewer unit occupancies to absorb fixed and other operating costs during the period.

Condominium Development

At December 31, 2014 our condominium inventory consisted of 1,776 units, with 961 units held through direct ownership (379 units at Dream's share) and 815 units held through equity accounted investments (406 units at Dream's share).

Excluding equity accounted investments and non-Dream portions, the carrying value of our condominium portfolios decreased by $4.3 million at December 31, 2014 from December 31, 2013. Dream's portion of units and costs are shown below.

During 2014, Dream acquired interests in three projects for future developments in Toronto for $13.5 million. Included in these acquisitions is Riverside Square, a 5-acre, multi-phased, mixed-use project located in the heart of Riverside and Queen Street East. In the fourth quarter of 2014, we achieved a pre-sales level of approximately 80% on Riverside Square. Once developed, this project will result in an increase of 316 units in our condominium inventory.

(in thousands of dollars, except units)						**For the year ended December 31, 2014**
	Toronto		**United States**		**Total**	
	No. of units	**Cost**	**No. of units**	**Cost**	**No. of units**	**Cost**
Balance of inventory, December 31, 2013	547	$ 79,055	4	$ 739	551	$ 79,794
Acquisitions[1]	-	13,451	-	-	-	13,451
Development	-	43,508	-	-	-	43,508
Condominium unit occupancies	(168)	(50,619)	(4)	(759)	(172)	(51,378)
Transfer to investment and recreational properties	-	(9,881)	-	-	-	(9,881)
Other	-	1	-	20	-	21
Balance of inventory, December 31, 2014	**379**	**$ 75,515**	**-**	**$ -**	**379**	**$ 75,515**

[1] During 2014, we acquired the Broadview Hotel, located at the intersection of Queen Street East and Broadview in Toronto, for $3.2 million. During the third quarter, the Broadview Hotel was transferred to recreational properties at its carrying value, for a net impact of nil on condominium inventory.

Results of Operations – Condominiums

(in thousands of dollars, except for units occupied, pre-sales and average selling price)	**For the year ended December 31, 2014**			For the year ended December 31, 2013		
	Directly owned by Dream	**Equity accounted investments**	**Total**	Directly owned by Dream	Equity accounted investments	Total
Total projects						
Condominium occupancies (units)	**340**	**2**	**342**	374	136	510
Pre-sold condominiums (units)[1]	**881**	**490**	**1,371**	1,036	306	1,342
Pre-sold condominiums (%)	**91.7%**	**60.1%**	**77.2%**	79.5%	37.6%	63.4%
Attributable to Dream						
Condominium occupancies (units)	**172**	**-**	**172**	195	23	218
Revenue	**$ 73,475**	**$ 180**[2]	**$ 73,655**	$ 78,528	$ 9,269	$ 87,797
Gross margin[3]	**$ 22,020**	**$ (26)**	**$ 21,994**	$ 15,326	$ 2,048	$ 17,374
Gross margin (%)	**30.0%**	**n/a**	**30.0%**	19.5%	22.1%	19.8%
Net margin	**$ 18,246**	**$ (1,711)**	**$ 16,535**	$ 10,766	$ 967	$ 11,733
Net margin (%)	**24.8%**	**n/a**	**22.4%**	13.7%	10.4%	13.4%
Average selling price of condominiums occupied						
Per unit[4]	**$ 381,000**	**$ 530,000**	**$ 382,000**	$ 364,000	$ 401,000	$ 374,000
Per square foot	**$ 505**	**$ 670**	**$ 506**	$ 512	$ 643	$ 514
Pre-sold condominiums (units)	**347**	**245**	**592**	450	151	601

[1] Pre-sold condominiums exclude Riverside Square, which was 80% pre-sold as at December 31, 2014, as it was still in its sales and marketing phase.
[2] Revenue from equity accounted investments in 2014 includes the occupancy of 2 units from an active equity project in which the Company has an indirect ownership of less than 20%.
[3] Gross margin for condominium operations includes interest expense, which is capitalized during the development period and expensed through cost of sale as units are occupied.
[4] Average selling price per unit is based on prices excluding non-unit sources of ancillary revenue, such as recoveries and upgrades.

Revenue from the occupancy of condominium units directly owned by Dream decreased by $5.1 million in 2014 compared to the prior year, though prior year comparisons are not relevant as different projects were in occupancy during each period. Gooderham, the main condominium project in occupancy through 2014, in which Dream has a 50% interest, had 326 of the 328 units occupied (or 99.4%) at December 31, 2014. In 2014, condominium results included $7.9 million of guarantee and management fees earned on active projects (2013 – $6.4 million).

In the fourth quarter of 2014, condominium operations had a negative net margin of $1.5 million, which was primarily attributable to marketing costs incurred on future developments or projects under construction.

As at December 31, 2014, we have pre-sold approximately 881 units (347 units at Dream's share), or 91.7%, of the total units, which compares to 1,036 units (450 units at Dream's share), or 79.5%, as at December 31, 2013. Including equity accounted investments, we expect to close 1,769 condominium units (860 units at Dream's share) between 2015 and 2016.

Asset Management and Advisory Services

Dream's asset management and advisory services segment comprises asset management and advisory services encompassing commercial real estate and real estate development, as well as renewable energy infrastructure assets. At December 31, 2014, Dream managed assets with a value of approximately $14.6 billion (December 31, 2013 – $13.4 billion).

The majority of income earned from our asset management and advisory services segment for the year ended December 31, 2014 was generated from three listed REIT funds and a diversified hard asset alternatives trust. Asset management (for which base fees are generated) includes the overall management of the listed funds' businesses, including the provision of a Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and overseeing the operations of accounting and property management. As the asset manager, Dream also provides acquisition and disposition personnel and, on a cost recovery basis, oversees debt and equity financing. Dream has not reached benchmarks to earn incentive fees. Details of the current fee structure for the three REIT funds, including Dream Office REIT, Dream Global REIT and Dream Industrial REIT, are included below.

- Base management fee of 0.25% (0.35% for one of the REIT funds) on historical cost of assets.
- Acquisition fee equal to: (a) 1.0% of the purchase price of a property on the first $100 million of properties acquired in each fiscal period; (b) 0.75% of the purchase price of a property on the next $100 million of properties acquired in each fiscal period; and (c) 0.50% of the purchase price on properties acquired in excess of $200 million in each fiscal period.
- Financing fee equal to 0.25% of the debt and equity of all financing transactions completed, subject to adjustment on an annual basis equal to the amount of actual expenses incurred by Dream in supplying services relating to financing transactions.
- Incentive fees of 15% of AFFO (adjusted funds from operations) earned above a benchmark. The benchmarks vary by fund and increase by 50% of the increase in the relevant consumer price index for two of the REIT funds.
- Capital expenditure fees equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of $1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures.

During 2014, Dream entered into an asset management agreement with Dream Alternatives. Dream receives revenues in respect of these services, which include:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.0% of the gross value of the initial assets on July 8, 2014, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid.
- Acquisition/origination fee equal to: (a) 0.40% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of less than five years; (b) 1.0% of the principal amount of any loan originated by Dream Alternatives or a subsidiary having an expected term of five years or more; and (c) 1.0% of the gross cost of any asset acquired or originated by Dream Alternatives or a subsidiary represented by all other investments, assets or projects.
- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by Dream Alternatives or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets except for the disposition of individual loans having a term to maturity of 12 months or less, and excluding the regular and scheduled repayment of loans.

Breakdown of Fees Earned

The following table summarizes the types of fees included in asset management and advisory services revenue, including those further described in Note 38 of the financial statements:

		2014		2013
Base asset management fees	**$**	**33,936**	$	26,031
Acquisition fees		**4,226**		11,010
Expense recoveries relating to financing arrangements		**1,118**		1,750
Other income		**587**		3,062
	$	**39,867**	$	42,270

Other income includes fees earned on property management and eliminations from jointly controlled entities. These items are not a significant contributor to revenue.

Breakdown of Asset Management and Advisory Services Expenses Incurred to Generate Net Margin

The types of asset management and advisory services expenses are detailed in the following table:

		2014		2013
Salary and other compensation	$	**9,678**	$	12,227
Corporate, service and professional fees		**587**		1,393
General office and other operating costs		**1,218**		3,731
	$	**11,483**	$	17,351

In 2014, the Company disaggregated total operating costs into direct operating costs; asset management and advisory services expenses; selling, marketing and other operating costs; or general and administrative expenses, resulting in lower asset management and advisory services expenses when compared to 2013. Prior year operating costs were reclassified to conform to the current presentation in general and administrative expenses.

Results of Operations – Asset Management and Advisory Services

		2014		2013
Revenue	$	**39,867**	$	42,270
Net margin	$	**28,384**	$	24,919
Net margin (%)		**71.2%**		59.0%

During 2014, there was a decrease in revenue of $2.4 million, while net margin stayed consistent, compared to the prior year due to lower acquisition activity, which was offset by contributions from higher margin fee earning assets under management. Net margin as a percentage of revenue increased to 71.2% for 2014, versus 59.0% last year, due to the addition of the Dream Alternatives management contract.

Investment and Recreational Properties

Our investment properties include interests in commercial and retail properties consisting of approximately 497,000 square feet of gross leasable area ("GLA"), excluding parking, that include The Distillery Historic District and jointly controlled entities. Recreational properties include a ski resort in Colorado, a golf course in Saskatoon, and a hotel in operation and a hotel in development in Toronto. These properties are held to generate rental income and for capital appreciation.

Real Estate Assets

The following table shows a continuity of the carrying value of real estate assets:

		Investment properties		Recreational properties		Total
Balance, December 31, 2013	$	59,350	$	19,779	$	79,129
Additions		603		5,951		6,554
Disposals		-		(1,421)		(1,421)
Fair value adjustments		28,369		-		28,369
Amortization		(45)		(1,704)		(1,749)
Transfer from condominium inventory		5,795		3,162		8,957
Other		-		1,203		1,203
Balance, December 31, 2014	**$**	**94,072**	**$**	**26,970**	**$**	**121,042**

During 2014, we sold Dream Renewable Solar LP to Dream Alternatives Trust at its carrying value, which approximated the fair value at $1.4 million. No gain or loss was realized on the transaction.

Breakdown of Investment Properties

The carrying value of investment properties is summarized below.

	Location		December 31, 2014		December 31, 2013
Distillery District[1]	Toronto	$	**90,468**	$	55,856
Thornhill Woods	Toronto		**1,981**		1,858
Carlaw	Toronto		**1,623**		1,636
		$	**94,072**	$	59,350

[1] Includes retail space in our condominium developments ad parking space.

	December 31, 2014	December 31, 2013
Number of commercial properties[1]	**16**	15
Total commercial area (sq. ft.)[1]	**533,932**	509,239
Total parking stalls	**556**	534
Weighted average terminal capitalization rate	**5.50% to 7.70%**	5.75% to 7.00%

[2] Includes parking stalls and investment properties held in equity accounted investments.

The carrying value of our investment property assets increased to $94.1 million at December 31, 2014 from $59.4 million at December 31, 2013. The increase of $34.7 million was primarily attributable to a fair value increase of $28.3 million on the Distillery District, reflecting updated economic conditions and market transactions, and is supported by an external appraisal as at December 31, 2014. During 2014, $5.8 million of retail properties were transferred from the condominium division to investment properties.

Results of Operations – Investment Properties

		2014		2013
Revenue	$	**8,548**	$	7,110
Net margin	$	**2,618**	$	3,504
Net margin (%)		**30.6%**		49.3%

In 2014, revenue from investment properties increased by $1.4 million due to increased contribution from retail properties that were transferred during the year. Net margin decreased from the prior year primarily due to disaggregated operating costs reallocated to direct segments in 2014.

Breakdown of Recreational Properties

The carrying value of recreational properties is summarized below.

		December 31, 2014		December 31, 2013
Operational recreational properties:				
King Edward Hotel (Ontario)	$	**5,710**	$	4,221
Willows Golf Course (Saskatchewan)		**2,852**		2,757
Arapahoe Basin ski hill (Colorado)		**14,554**		12,801
Recreational properties under development:				
Broadview Hotel (Ontario)		**3,855**		-
	$	**26,970**	$	19,779

The carrying value of recreational properties increased by $7.2 million to $27.0 million as at December 31, 2014 compared to $19.8 million at December 31, 2013. The net increase is due to the transfer of the Broadview Hotel from condominium inventory to recreational properties and capital additions to the King Edward Hotel and Arapahoe Basin.

	Ownership interest	Season opened	Season closed
King Edward Hotel (Ontario)	9%	Full period	Full period
Willows Golf Course (Saskatchewan)	100%	2-May-14	26-Oct-14
Arapahoe Basin ski hill (Colorado)	100%	13-Oct-13	22-Jun-14
Broadview Hotel (Ontario)	50%	n/a	n/a

Results of Operations – Recreational Properties

		2014		2013
Revenue	**$**	**34,493**	$	36,523
Net margin[1]	**$**	**1,921**	$	957
Net margin (%)		**5.6%**		2.6%

(1) Included in net margin for recreational properties is depreciation of $2.8 million in 2014 (2013 – $2.5 million).

The increase in net margin by $1.0 million in 2014 relative to the prior year was due to higher snow levels at our ski resort in Colorado compared to the prior year, which allowed us to open terrain ahead of schedule.

Weather conditions have a significant impact on the operating results of our recreational properties, particularly the ski resort in Colorado and the golf course in Saskatchewan.

Equity Accounted Investments

The Company has entered into certain arrangements in the form of jointly controlled entities, primarily for the development of investment and recreational properties and for renewable energy project management. These entities include restrictions on the ability to access assets without the consent of all partners and through distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. Our share of earnings from equity accounted investments is included in earnings for each period. Earnings from each of the equity accounted investments may fluctuate significantly due to the nature of their operations, and may depend on market forces or other operating conditions that may not necessarily be under our direct control. The carrying value of our equity accounted investments increased to $90.8 million at December 31, 2014, compared with $82.1 million at December 31, 2013.

During 2014, the Company recognized its share of earnings of $0.3 million from these arrangements (2013 – $1.0 million). The decrease in net earnings from the prior year was driven by an impairment loss of $1.0 million in the second quarter, against a non-core asset in the US and higher marketing and selling expenses within Dundee Kilmer Developments LP related to the Pan/Parapan American Athletes' Village.

The following tables summarize the Company's proportionate share of revenues, earnings (losses) and cash flows from operations in other equity accounted investments for 2014 and 2013.

For the year ended December 31, 2014

	Dundee Kilmer Developments LP	Firelight Infrastructure Partners LP	King Edward Private Residences LP	Distillery Restaurants Limited Partnership	Other	Total
Dream's interest	**50%**	**20%**	**17%**	**50%**	**18%–78%**	
Attributable to Dream:						
Revenues	**$ 183**	**$ 15,822**	**$ 187**	**$ 12,122**	**$ 3,126**	**$ 31,440**
Earnings (losses)	**(1,361)**	**3,097**	**(28)**	**255**	**(1,639)**	**324**
Cash flows from operations	**(1,361)**	**8,431**	**(28)**	**797**	**(1,395)**	**6,444**

For the year ended December 31, 2013

	Dundee Kilmer Developments LP	Firelight Infrastructure Partners LP	King Edward Private Residences LP	Distillery Restaurants Limited Partnership	Other	Total
Dream's interest	50%	20%	17%	50%	18%–78%	
Attributable to Dream:						
Revenues	$ -	$ 8,596	$ 9,269	$ 7,161	$ 4,046	$ 29,072
Earnings (losses)	(426)	1,605	1,746	(122)	(1,760)	1,043
Cash flows from operations	(426)	4,571	1,746	147	(1,626)	4,411

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments as at December 31, 2014 and December 31, 2013.

												As at December 31, 2014
		Dundee Kilmer Developments LP		**Firelight Infrastructure Partners LP**		**King Edward Private Residences LP**		**Distillery Restaurants Limited Partnership**		**Other**		**Total**
Dream's interest		**50%**		**20%**		**17%**		**50%**		**18%–78%**		
Assets	**$**	**303,953**	**$**	**196,657**	**$**	**981**	**$**	**5,316**	**$**	**33,922**	**$**	**540,829**
Liabilities		**(290,744)**		**(140,885)**		**(223)**		**(2,944)**		**(15,212)**		**(450,008)**
Net assets	**$**	**13,209**	**$**	**55,772**	**$**	**758**	**$**	**2,372**	**$**	**18,710**	**$**	**90,821**

												As at December 31, 2013
		Dundee Kilmer Developments LP		Firelight Infrastructure Partners LP		King Edward Private Residences LP		Distillery Restaurants Limited Partnership		Other		Total
Dream's interest		50%		20%		17%		50%		18%–78%		
Assets	$	240,400	$	133,422	$	1,264	$	13,870	$	25,110	$	414,066
Liabilities		(227,006)		(81,491)		(458)		(1,484)		(21,077)		(331,966)
Net assets	$	13,394	$	51,481	$	806	$	12,386	$	4,033	$	82,100

Firelight Infrastructure Partners LP

Dream has a 20% interest in Firelight Infrastructure Partners LP ("Firelight"), which has funded $337.6 million for renewable energy projects (of which Dream's portion is $67.5 million), and for which an additional $7.4 million (Dream's portion is $1.5 million) has been committed. A complete list of projects is provided below.

Project	**Energy source**	**Province**	**Status**	**Completion**	**MW**
Dalhousie Mountain	Wind	NS	Operational	Q1 2010	51.0
Amherst	Wind	NS	Operational	Q2 2012	15.4
Erie Ridge	Ground-mount Solar	ON	Operational	Q3 2011	4.3
Sandhurst	Ground-mount Solar	ON	Operational	Q2 2012	10.0
Norfolk Bloomsburg	Ground-mount Solar	ON	Operational	Q1 2013	10.0
Rutley	Ground-mount Solar	ON	Operational	Q1 2012	10.0
Firelight Solar	Rooftop Solar	ON	Operational	2011–2014	17.8
Xeneca Power	Hydro	ON	In Development	2015–2017	38.3
Ontario Wind	Wind	ON	In Development	2016-2017	37.3
Hwy 2	Ground-mount Solar	ON	Operational	Q4 2013	10.0
Odessa	Ground-mount Solar	ON	Operational	Q4 2013	10.0
Alfred	Ground-mount Solar	ON	Operational	Q4 2013	10.0
Unity	Ground-mount Solar	ON	Operational	Q1 2014	10.0
Welland	Ground-mount Solar	ON	Operational	Q3 2014	10.0
Newboro 1	Ground-mount Solar	ON	Operational	Q4 2014	10.0
Newboro 2	Ground-mount Solar	ON	Operational	Q4 2014	10.0
Ontario Solar	Ground-mount Solar	ON	In Development	2015	10.0
Nova Scotia Wind	Wind	NS	Operational	Q4 2014	15.4
Total					289.5

Results from Dream's 20% interest in Firelight generated $3.1 million of equity income and $8.4 million of operational cash flows on $43.2 million of equity in active operations for 2014 (2013 – $1.6 million of equity income and $4.6 million of operational cash flows on $31.5 million of equity in active operations).

Dundee Kilmer Developments LP

We own 50% of Dundee Kilmer Developments LP ("Dundee Kilmer"). Dundee Kilmer is a partnership between Dream and Kilmer Van Nostrand Co. Limited for the purpose of developing the Canary District and the Toronto 2015 Pan/Parapan American Games Athletes' Village. This site is anchored at Front and Cherry Streets by Waterfront Toronto's new 18-acre Don River Park. Being built as a temporary home for the athletes of the 2015 Pan/Parapan American Games, the village will evolve into a vibrant mixed use neighbourhood known as the Canary District comprising 810 condominium units, 253 affordable housing units, an 82,000 square foot YMCA and a 500-bed George Brown College student residence. Net losses in the current period and the prior periods relate to marketing expenses incurred to promote the condominium portion of the development. The fixed price contract between Dundee Kilmer and the Province of Ontario is for $514 million and construction was approximately 99% complete (or 91% complete including post-game suite conversions) at December 31, 2014.

Other Significant Assets

Other Financial Assets

Investment in Dream Office REIT

Dream Office REIT is an unincorporated real estate investment trust and operates high-quality, affordable business premises in key markets across Canada. It is focused on owning, acquiring, leasing and managing urban and suburban office properties in Canada. At December 31, 2014, Dream Office REIT's portfolio consisted of approximately 24.2 million square feet of gross leasable area ("GLA") across Canada. At December 31, 2014, we held 1,157,762 units of Dream Office REIT with a market value of $29.1 million (December 31, 2013 – 1,157,762 units with a market value of $33.4 million).

Investment in Dream Global REIT

Dream Global REIT is an unincorporated, open-ended real estate investment trust that provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada. At December 31, 2014, 266 properties with approximately 14.8 million square feet of GLA, all located in Germany, comprised Dream Global REIT's portfolio. At December 31, 2014, we held 2,800,000 units of Dream Global REIT with a market value of $24.0 million (December 31, 2013 – 2,800,000 units with a market value of $23.6 million). In addition to our investment in Dream Global REIT units, we also held 1,364,659 deferred trust units with a fair value of $7.1 million as at December 31, 2014 (December 31, 2013 – 912,078 deferred trust units with a fair value of $4.8 million), based on the market price of Dream Global REIT units and applying an appropriate discount rate to reflect the vesting period, which were received as compensation for services provided pursuant to an asset management and advisory services agreement between Dream and Dream Global REIT.

Accounts Receivable

At December 31, 2014, the carrying value of accounts receivable was $134.0 million compared to $198.5 million at December 31, 2013. Approximately 85% (December 31, 2013 – 93%) of accounts receivable represents amounts receivable under contracted sales of land under development or under housing and condominium sales contracts. Accounts receivable may fluctuate from period to period, reflecting the cyclical nature of the completion and closing of larger-scale real estate projects. The decrease in accounts receivable from the prior period reflects the receipt of cash for trade receivables in our various land divisions.

Other Items in Earnings

General and Administrative Expenses

During 2014, we incurred general and administrative expenses of $14.3 million (2013 – $9.7 million). Included in general and administrative expenses are salaries and compensation of senior executives and corporate staff and public company costs. Included in general and administrative expenses for 2014 was $2.9 million in respect of prior periods for a profit participation arrangement with an officer of the company.

Investment and Other Income

During 2014, we earned investment and other income of $5.9 million (2013 – $9.0 million). Included in investment and other income are distributions received from our investments in Dream Office REIT and Dream Global REIT aggregating $2.6 million for 2014 (2013 – $2.6 million). The balance of $3.3 million for 2014 (2013 – $6.4 million) represents distributions from other investments and interest income on cash reserves and accounts receivable.

Interest Expense

During 2014, we incurred interest expense of $17.1 million (2013 – $14.3 million). Interest expense recognized during 2014 related primarily to project-specific and general debt.

Income Tax Expense

The effective income tax rate was 29.1% for 2014 (2013 – 27.9%). The effective tax rates for 2014 and 2013 are higher than the statutory combined federal and provincial tax rate of 26.6% (2013 – 26.7%) due to non-deductible expenses and deferred income tax assets not being recognized in respect of certain losses as it is not probable that the Company will be able to utilize all the losses against taxable profits in the future.

Debt and Preference Shares

Debt as at December 31, 2014 totalled $395.8 million (December 31, 2013 – $354.7 million), which included $38.7 million of Preference shares (December 31, 2013 – $42.6 million).

A breakdown of interest bearing debt and Preference shares is detailed in the table below:

	Construction loans	Operating line	Mortgages and term debt	Due to a shareholder	Preference shares, series 1	Total
Balance, December 31, 2013	$ 71,694	$ 78,000	$ 89,605	$ 72,785	$ 42,645	$ 354,729
Borrowings	95,402	-	26,311	-	-	121,713
Repayments	(78,483)	-	(44,447)	(14,741)	-	(137,671)
Redemption of Preference shares	-	-	-	-	(4,069)	(4,069)
Net draws against revolving facilities	-	58,000	-	-	-	58,000
Other	31	-	625	2,284	170	3,110
Balance, December 31, 2014	**$ 88,644**	**$ 136,000**	**$ 72,094**	**$ 60,328**	**$ 38,746**	**$ 395,812**

We have established a demand credit facility with a shareholder. The facility bears interest at a rate equal to the rate charged under the shareholder's main operating facility (3.0% at December 31, 2014 and December 31, 2013) plus 1.0% per annum. The amount is secured by a security interest, lien and charge on the properties and assets of DAM pursuant to a general security agreement, the payment of which has been subordinated to certain other lenders of DAM. Subsequent to December 31, 2014, $15.1 million was repaid on our shareholder loan.

Excluding the demand credit facility provided by the shareholder and Preference shares, series 1, at December 31, 2014, $77.6 million (December 31, 2013 – $87.6 million) of aggregate debt was subject to a fixed, weighted average interest rate of 5.01% (December 31, 2013 – 4.37%) and matures between 2015 and 2019. A further $83.3 million (December 31, 2013 – $151.7 million) of real estate debt is subject to a weighted average variable interest rate of 3.80% (December 31, 2013 – 3.55%) and matures between 2015 and 2018.

The operating line consists of a revolving term credit facility available up to a formula-based maximum not to exceed $290.0 million, bearing interest at prime rate at our option plus 1.25% or at bankers' acceptance rate plus 2.50%. The facility was renewed on July 10, 2014, expires on November 30, 2016 and is secured by a general security agreement and a first charge against various real estate assets in Western Canada. As at December 31, 2014, the maximum amount available under this facility was $290.0 million, of which $136.0 million was drawn and $47.4 million was utilized in the form of letters of credit. Interest expense relating to the revolving term credit facility for 2014 was $4.6 million (2013 – $3.7 million).

Debt Covenants on Revolving Term Credit Facility

Minimum Adjusted Net Worth

	Covenant minimum	2014
Adjusted net worth	**$ 325,000**	**$ 589,938**

For purposes of the covenant calculation, adjusted net worth is calculated by adding total assets and the assets from equity accounted investments at our share and subtracting total liabilities, including the liabilities of equity accounted investments at our share. DAM is in compliance with the minimum adjusted net worth required under the revolving term credit facility. See "Non-IFRS Measures".

Debt to Adjusted Net Worth

(in thousands of dollars, except ratio)	Covenant maximum	2014
Debt		**$ 492,261**
Adjusted net worth		**$ 589,938**
Ratio	**1.75**	**0.83**

For purposes of the covenant calculation, debt is the sum of all liabilities including those of our equity accounted investments at our share, deferred tax liabilities relating to the fair value adjustment of our investment properties, guarantees, and letters of credit not relating to the land and housing business. DAM is in compliance with the maximum debt to adjusted net worth required under the facility. See "Non-IFRS Measures".

Interest Coverage Ratio

(in thousands of dollars, except ratio)	Covenant minimum	2014
EBITDA		**$ 102,446**
Total interest expense		**$ 17,518**
Ratio	**3.00**	**5.85**

For purposes of the covenant calculation, EBITDA is calculated as earnings for the last four quarters excluding the fair value adjustment to investment properties, deferred taxes, income tax, depreciation and interest expense. Interest expense represents the amount for the last four quarters and is calculated by summing the amount reflected on the income statement of interest expensed and interest capitalized. DAM is in compliance with the minimum interest coverage ratio required under the facility. See “Non-IFRS Measures”.

Preference Shares, Series 1

The Preference shares, series 1, may be redeemed, at the option of Dream, at any time at a price per share which declines over time in accordance with the terms of the Preference shares, series 1, from $7.30 per share at any time on or after June 30, 2013 and prior to June 30, 2014, to $7.23 per share on or after June 30, 2014 and prior to June 30, 2015, to $7.16 per share if redeemed on or after June 30, 2015.

The Preference shares, series 1, are redeemable by the holders at any time on or after December 31, 2013 and prior to December 31, 2014 at $7.30 per share, at any time on or after December 31, 2014 and prior to December 31, 2015 at $7.23 per share, and at any time on or after December 31, 2015 at $7.16 per share.

(number of shares)	**2014**	2013
Issued and outstanding, beginning of year	**6,000,000**	-
Preference shares issued	**-**	6,000,000
Redeemed by holders for cash	**(571,100)**	-
Issued and outstanding, end of year	**5,428,900**	6,000,000

Shareholders’ Equity

Dream is authorized to issue an unlimited number of Dream Class A subordinate voting shares (the “Subordinate Voting Shares”) and an unlimited number of Dream Class B common shares (“Class B Shares”). The total number of shares outstanding as at December 31, 2014 and December 31, 2013 are as follows:

(number of shares)	**2014**	2013
Subordinate Voting Shares, issued and outstanding, beginning of year	**72,614,163**	72,614,163
Class B Shares converted into Subordinate Voting Shares	**814**	-
Deferred share units converted into Subordinate Voting Shares	**9,000**	-
Subordinate Voting Shares repurchased	**(83,200)**	-
Subordinate Voting Shares issued	**3,680,000**	-
Subordinate Voting Shares, issued and outstanding, end of year	**76,220,777**	72,614,163

(number of shares)	**2014**	2013
Class B Shares, issued and outstanding, beginning of year	**3,116,326**	3,116,326
Class B Shares converted into Subordinate Voting Shares	**(814)**	-
Class B Shares, issued and outstanding, end of year	**3,115,512**	3,116,326

Dream received acceptance from the Toronto Stock Exchange (the “TSX”) to make a Normal Course Issuer Bid (the “Bid”) that will allow Dream the ability to purchase, for cancellation, up to a maximum of 2,981,344 of its Subordinate Voting Shares. The Bid commenced on September 2, 2014 and will remain in effect until the earlier of September 1, 2015 or the date the Company has purchased the maximum number of Subordinate Voting Shares under the Bid. As at December 31, 2014, 83,200 Subordinate Voting Shares were purchased for cancellation by the Company. Subsequent to December 31, 2014, another 228,000 Subordinate Voting Shares were purchased for cancellation by the Company under the Bid.

On April 30, 2014, Dream issued 3,680,000 Subordinate Voting Shares on a bought deal basis at a price of $15.70 per share to a syndicate of underwriters led by TD Securities Inc., for gross proceeds of $57.8 million, less an underwriters’ fee. Dream has invested $44.7 million of the offering into Class G Preference shares of DAM. The remaining net proceeds of the offering of approximately $10.8 million were used by Dream to subscribe for additional common shares of DAM.

Dream has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share. As at December 31, 2014, 200,000 options were outstanding under the stock option plan, collectively. As at December 31, 2014, one-fifth of options have vested.

In addition, Dream has a deferred share incentive plan that grants deferred share and income deferred share units to eligible directors, senior management and their service providers. Directors were granted 27,000 deferred share units, with 9,000 of these units vesting and converted into Subordinate Voting Shares, during 2014.

During the year ended December 31, 2014, the Board of Directors of DAM declared and paid dividends of $1,820 (2013 – $1,760) to Dream, which were eliminated in the consolidated financial statements of Dream, and $778 (2013 – $753) to the non-controlling interest of DAM on its non-voting common shares. Subsequent to December 31, 2014, the Board of Directors of DAM declared dividends of $3,424 to Dream, which will be eliminated in the consolidated financial statements of Dream, and $1,455 to the non-controlling interest of DAM on its non-voting common shares.

Liquidity and Capital Resources

Our capital consists of construction loans, an operating line, mortgages and term debt, shareholder loans, Preference shares and shareholders' equity. Our objective in managing capital is to ensure adequate operating funds are available to fund land, housing and condominium development costs, leasing costs, overheads and capital expenditures for investment and recreational properties; to provide for resources needed to acquire new properties and invest in new ventures at reasonable interest costs; and to generate a target rate of return on investments. No material changes have occurred in future contractual obligations since December 31, 2014.

Significant Sources and Uses of Cash

Operating Activities

		2014		2013
Earnings excluding non-cash items	**$**	**50,128**	$	89,185
Changes in working capital		**20,359**		27,149
Acquisition of real estate inventory		**(43,968)**		(143,626)
Development of real estate inventory, net of sales		**(37,003)**		29,761
Net cash flows used in operating activities	**$**	**(10,484)**	$	2,469

We had cash outflows from operating activities of $10.5 million for 2014 (2013 – cash inflows of $2.5 million). Due to the longer-term nature of some of our real estate projects and seasonality of our business operations, operating cash flow may vary from period to period.

Investing Activities

		2014		2013
Net additions to real estate assets	**$**	**(6,479)**	$	(4,103)
Disposal of real estate assets		**1,345**		5,336
Net contributions to equity accounted investments		**(3,073)**		(15,741)
Net acquisition of financial assets		**(10,981)**		1,083
Acquisition of intangible asset		**(43,000)**		-
Net cash flows used in investing activities	**$**	**(62,188)**	$	(13,425)

We used cash of $62.2 million for investing activities for 2014 (2013 – $13.4 million). In 2014, our largest investment activity was the acquisition of the right to manage Dream Alternatives for $43.0 million, which is classified as an intangible asset.

Financing Activities

		2014		2013
Net debt transactions	**$**	**(32,877)**	$	(3,205)
Advances from operating line, net		**58,000**		33,000
Equity issuance, net of costs		**54,965**		-
Shares purchased		**(780)**		-
Redemption on Preference shares, series 1		**(4,169)**		-
Dividends		**(778)**		(10,000)
Net cash flows from financing activities	**$**	**74,361**	$	19,795

We had net inflows of $74.4 million (2013 – $20.0 million) from financing activities, which included $113.0 million (2013 – $33.0 million) of proceeds from equity issuance and operating line advances and $32.9 million (2013 – $3.2 million) of net debt transactions.

Cash Requirements

The nature of the real estate business is such that we require capital to fund non-discretionary expenditures with respect to existing assets, as well as to fund growth through acquisitions and developments. At December 31, 2014, we had $30.7 million (December 31, 2013 – $29.0 million) in cash and cash equivalents. Our intention is to meet short-term liquidity requirements through cash from operating activities, working capital reserves and operating debt facilities. In addition, we anticipate that cash from operations will continue to provide the cash necessary to fund operating expenses and debt service requirements.

Off Balance Sheet Arrangements

We conduct our real estate activities from time to time through joint arrangements with third-party partners. At December 31, 2014, we were contingently liable for the obligations of the other owners of the unincorporated joint arrangements in the amount of $29.4 million (December 31, 2013 – $33.4 million). We have available to us other venturers' share of assets to satisfy the obligations, if any, that may arise.

Dream and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the unaudited interim condensed consolidated financial statements of Dream.

Commitments and Contingencies

We have commitments under land purchase agreements totalling $32.9 million as at December 31, 2014 (December 31, 2013 – $59.7 million), which will become payable in future periods upon the satisfaction of certain conditions pursuant to such agreements.

Levies relating to signed municipal agreements received by Dream as at December 31, 2014 may result in future obligations totalling $5.1 million (December 31, 2013 – $16.7 million).

We are contingently liable for letters of credit and surety bonds that have been provided to support land developments in the amount of $65.7 million as at December 31, 2014 (December 31, 2013 – $69.7 million).

We have a contingent payment of $1.9 million due in four equal installments in each of 2015, 2016, 2017 and 2018, on satisfaction of certain criteria being met.

Shareholder Arrangements

Dream and Sweet Dream Corp. ("SDC") have entered into an agreement that provides for "put rights" in favour of each of them. Upon the occurrence of certain triggering events, Dream may by notice in writing to SDC require SDC, at SDC's option, to either (i) acquire Dream's shares of DAM at "fair market value", or (ii) sell all of SDC's shares of DAM or all of DAM's assets and distribute the proceeds to DAM's shareholders. Upon the occurrence of certain different triggering events, SDC may by notice in writing to Dream require Dream, at Dream's option, to either (i) acquire SDC's shares of DAM at "fair market value", or (ii) sell all of Dream's shares of DAM or require the sale of all of DAM's assets and distribute the proceeds to DAM's shareholders. Completion of any transaction under this agreement will be subject to receipt of the approval of the shareholders of Dream, if required by law or under the agreement, and the receipt of any required regulatory approvals.

Transactions with Related Parties

The Company has agreements for asset management and advisory services, shared services and cost sharing administrative services with related parties. The Company also has other transactions conducted with related parties, which are outlined in Note 38 of our consolidated financial statements for December 31, 2014.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. We evaluate our estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A detailed summary of the significant judgments and estimates made by management in the preparation and analysis of our financial results is included in Note 4 of our consolidated financial statements for December 31, 2014.

Internal Control over Financial Reporting

For the December 31, 2014 financial year-end, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with other members of management, have evaluated the design and operational effectiveness of Dream's internal controls over financial reporting and disclosure controls and procedures as defined by National Instrument 52-109. The Certifying Officers have concluded that the disclosure controls and procedures and the internal controls over financial reporting are adequately designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS.

During the twelve months ended December 31, 2014, there were no changes in Dream's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Dream's internal controls over financial reporting. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by the Canadian Institute of Chartered Accountants, the Certifying Officers have evaluated, or caused to be evaluated, and have concluded that its internal controls over financial reporting are operating effectively for the year ended December 31, 2014.

Changes in Accounting Policies Including Initial Adoption of New Accounting Pronouncements

New Accounting Standards Adopted during the Year and Future Accounting Standards

We have adopted new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2014, as detailed in Note 3 of the Company's consolidated financial statements. Changes in accounting policies adopted by Dream were made in accordance with the applicable transitional provisions as provided in those standards and amendments. There were no changes to the audited consolidated financial statements as a result of the adoption of the new IFRS pronouncements.

Financial Instruments

A detailed discussion of our strategy and risk management in respect of financial instruments is provided in Note 33 of our consolidated financial statements for the year ended December 31, 2014.

Risk Factors

We are exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of material factors that may impact our business operations. A more detailed description of our business environment and risks is contained in our Annual Information Form, which is posted on our website at www.dream.ca and on SEDAR at www.sedar.com.

General Risk

The land development and homebuilding industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, government regulations, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends, housing demand and competition from other real estate companies.

An oversupply of alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties, may reduce DAM's ability to sell new homes, depress prices and reduce margins from the sale of new homes. Depending on market conditions, DAM may not be able, or may not wish, to develop its land holdings. Development of land holdings and properties that are to be constructed are subject to a variety of risks, not all within DAM's control. Such risks include lack of funding, variability in development costs and unforeseeable delays.

Real estate assets, particularly raw land, are relatively illiquid in down markets. Such illiquidity tends to limit DAM's ability to vary its real estate portfolio promptly in response to changing economic or investment conditions. If there are significant adverse changes in economic or real estate market conditions, DAM may have to sell properties at a loss or hold undeveloped land or developed properties in inventory longer than planned. Inventory carrying costs can be significant and may result in losses in a poorly performing project or market.

Asset Management

Our ability to successfully expand our asset management activities is dependent on a number of factors, including certain factors that are outside our control. In the event that the asset base of our funds were to decline, our management fees could decline as well. In addition, we could experience losses on our investments of our own capital in our funds as a result of poor performance by our funds. Termination of an asset management agreement in accordance with its terms by any of our funds would also result in a decline in our management fees.

Mortgage Rates and Regulations

Increases in mortgage rates, decreases in the availability of mortgage financing or changes in laws or regulations relating to mortgage lending practices could depress the market for new homes. Even if potential customers do not need financing, changes in mortgage interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which would result in reduced demand for new homes. As a result, rising mortgage rates and reduced mortgage availability could adversely affect our ability to sell new homes and/or the price(s) at which we can sell them.

Regulatory Risks

The real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density, and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs which impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

Environmental Risks

As an owner of real estate property, we are subject to various federal, provincial and state laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal and remediation of certain hazardous, toxic substances released on or in our properties or disposed of at other locations, as well as potentially significant penalties. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. Some of the properties in which we have an interest currently have or have had occupants that use hazardous substances or create waste. Such uses can potentially create environmental liabilities. A few issues have been identified through site assessments, including the need to remediate or otherwise address certain contaminations. These issues are being carefully managed with the involvement of professional consultants. Where circumstances warrant, designated substance surveys and/or environmental assessments are conducted. Although environmental assessments provide some assurance, we may become liable 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 do not currently anticipate material expenditures in respect of any required remediation.

Geographic Concentration
Our land development and housing operations are concentrated in Saskatchewan and Alberta. Some or both of these regions could be affected by severe weather; natural disasters; shortages in the availability or increased costs of obtaining land, equipment, labour or building supplies; changes to the population growth rates and therefore the demand for homes in these regions; and changes in the regulatory and fiscal environment. Due to the concentrated nature of our expected land development and housing operations, negative factors affecting one or a number of these geographic regions at the same time could result in a greater impact on our financial condition or results of operations than they might have on other companies that have a more diversified portfolio of operations.

Supply of Materials and Services
The homebuilding industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to: shortages of skilled and experienced contractors and tradespeople, labour disputes, shortages of building materials, unforeseen environmental and engineering problems, and increases in the cost of certain materials. If any of these difficulties should occur, we may experience delays and increased costs in the construction of homes.

Competition
The residential homebuilding industry is highly competitive. Residential homebuilders compete for homebuyers, desirable properties, building materials, labour and capital. We compete with other local, regional and national homebuilders. Any improvement in the cost structure or service of these competitors will increase the competition we face. We also compete with sellers of existing homes, housing speculators and investors in rental housing. Competitive conditions in the homebuilding industry could result in: difficulty in acquiring desirable land at acceptable prices, increased selling incentives, lower sales volumes and prices, lower profit margins, impairments in the value of our inventory and other assets, increased construction costs and delays in construction.

Our ability to successfully expand asset management activities in the future is dependent on our reputation with clients. We believe that our track record, the expertise of our asset management team and the performance of the assets currently under management will enable us to continue to develop productive relationships with these companies and to grow the assets under management. However, if we are not successful in doing so, our business and results of operations may be adversely affected.

Joint Venture Risks
Real estate investments are often made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/partners could experience financial difficulties which could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers'/partners' consents with respect to certain major decisions in respect of such properties. We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint venture or partnership.

Seasonality
The nature of our land development and housing business is inherently seasonal as it depends on sales of specific projects dictated by the marketplace and the availability of buyers as well as weather-related delays. We have historically experienced, and we expect that we will continue to experience, variability in our results on a quarterly basis. We generally have more homes under construction, close more home sales and have greater revenues and operating income from our housing business in the second quarter of our fiscal period. Therefore, although new home contracts are obtained throughout the period, a significant portion of our home closings occur during the second fiscal quarter. Our revenues from our land and housing development business therefore may fluctuate significantly on a quarterly basis and we must maintain sufficient liquidity to meet short-term operating requirements.

Adverse Weather Conditions and Natural Disasters
Adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, droughts, floods, fires, extreme cold, snow and other natural occurrences could have a significant effect on our ability to develop land. These adverse weather conditions and natural disasters could cause delays and increase costs in the construction of new homes and the development of new communities. If insurance is unavailable to us or is unavailable on acceptable terms, or if the insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations could be adversely affected. In addition, damage to new homes caused by adverse weather or a natural disaster could cause our insurance costs to increase.

Adverse weather conditions and natural disasters could also limit the ability to generate or sell power. In certain cases, some events may not excuse us from performing obligations pursuant to agreements with third parties and we may be liable for damages or suffer further losses as a result. In addition, many of our power generation assets are located in remote areas, which makes access for repair of damage difficult.

Financing Risk

We will require access to capital to ensure properties are maintained as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. 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 then current and expected future earnings, and our cash flows. Upon the expiry of the term of the financing of any particular property, refinancing may not be available or may not be available on reasonable terms.

Ability to Obtain Performance, Payment, Completion and Surety Bonds and Letters of Credit

We may often be required to provide performance, payment, completion and surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment, completion and surety bonds and letters of credit for our expected growth in the medium term; however, unexpected growth may require additional facilities. Our ability to obtain further performance, payment, completion and surety bonds and letters of credit primarily depends on our perceived creditworthiness, capitalization, working capital, past performance and claims record, management expertise and certain external factors, including the capacity of the performance bond markets. If our future claims record or our providers' requirements or policies are different, if we cannot obtain the necessary consent from lenders to renew or amend our existing facilities, or if the market's capacity to provide performance and completion bonds is not sufficient, we could be unable to obtain further performance, payment, completion and surety bonds or letters of credit when required, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Master-Planned Communities

Before a master-planned community generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It generally takes several periods for a master-planned community development to achieve cumulative positive cash flow. If we are unable to develop and market our master-planned communities successfully and generate positive cash flows from these operations in a timely manner, this may have a material adverse effect on our business and results of operations.

Home Warranty and Construction Defect Claims

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of our business. These claims are common in the homebuilding industry and can be costly. Where we act as the general contractor, we will be responsible for the performance of the entire contract, including work assigned to subcontractors. Claims may be asserted against us for construction defects, personal injury or property damage caused by the subcontractors, and if successful these claims give rise to liability. Where we hire a general contractor, if there are unforeseen events like the bankruptcy of, or an uninsured or under-insured loss claimed against our general contractor, we will sometimes become responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected.

Reliance on Key Clients

Our revenues from the advisory services division are dependent on agreements with a few key clients. Although we have long-term, stable management contracts with clients that may only be terminated in limited circumstances, any such termination could have a material adverse effect on our revenue from management fees.

Regulatory Regime, Political Environment and Permits

The development and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal level. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditure to achieve or maintain compliance or could adversely affect the ability to generate and deliver energy. In addition, delays may occur in obtaining necessary government approvals required for future power projects. We hold permits and licences from various regulatory authorities for the construction and operation of our renewable power facilities. These licences and permits are critical to the operation of the renewable power business. It may not be possible to renew, maintain or obtain all necessary licences, permits and governmental approvals required for the continued operation or further development of projects, which could adversely impact our business, results of operations and cash flow. The profitability of any wind project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities. Should the current governmental regulations or incentive programs be modified, our business, operating results, financial condition or prospects may be adversely affected.

Inability to Negotiate Purchase Agreements

Securing new power purchase agreements ("PPAs") in Ontario is a key component of our growth strategy. We expect that we will continue to enter into PPAs for the sale of power. PPAs are mainly obtained through participation in competitive requests for proposals processes. During these processes, we face competitors ranging from large utilities to small independent power producers. There is no assurance that we will be selected as power supplier following any particular request for proposals in the future or that existing PPAs will be renewed or will be renewed on acceptable terms and conditions upon the expiry of their respective terms. Failure to secure or renew PPAs on acceptable terms will limit the expansion and growth of the renewable power business and could adversely affect our business, operating results, financial condition or prospects.

Contract Performance

The renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs or Feed in Tariff ("FIT") contracts and other key suppliers. An inability or failure of any such party to meet its contractual commitments may adversely affect our financial condition, results of operations and cash flow as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. The ability of our facilities to generate the maximum amount of power that can be sold to purchasers of electricity under PPAs is an important determinant of the revenues of our renewable power business. If one of these facilities delivers less than the required quantity of electricity in a given contract period, penalty payments may be payable to the relevant purchaser. The payment of any such penalties could adversely affect the revenues and profitability of our renewable power business.

Delays and Cost Over-runs

Delays and cost over-runs may occur in completing the construction of development projects, prospective projects and future projects that may be undertaken. A number of factors that could cause such delays or cost over-runs include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. In addition, if one of our development projects is not brought into commercial operation within the time stipulated in its related PPA, it may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

Changes in Technology

There are other alternative technologies that can produce renewable power, such as fuel cells and micro turbines. Research and development activities are ongoing to seek improvements in such alternative technologies, and their cost of producing electricity is gradually declining. It is possible that advances will further reduce the cost of alternative methods of power generation. If this were to happen, the competitive advantage of our projects may be impaired and our business, financial condition, results of operations and cash flow could be materially adversely affected.

Assessment of Wind Resource and Associated Wind Energy

The strength and consistency of the wind resource at any project site may vary from the anticipated wind resource. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind in the future. The conclusions of wind studies and energy production estimates are based on a particular methodology and a set of assumptions about the existence of certain conditions, and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in wind conditions at our wind energy facilities could materially adversely affect revenues and cash flows from such facilities.

Variability in Hydrology

Revenues generated by hydropower facilities are correlated to the amount of electricity generated, which in turn is dependent upon available water flows. Hydrology varies naturally from period to period and may also change permanently because of climate change or other factors, and a natural disaster could impact water flows within the watersheds in which we operate. A sustained decline in water flow at our hydropower facilities could materially adversely affect revenues and cash flow from such facilities.

Transmission Capacity and Curtailment

Electrical distribution grid systems have finite capacity to accommodate additional electricity that is supplied to the system. In order for projects to be developed, they need to be connected to the distribution grid system in a location where there is sufficient capacity to handle the additional electricity produced by the project. In most cases the distribution grid system can be upgraded in order to accommodate such increased capacity; however, we are generally required to cover all or a portion of costs and expenses in connection with any construction and/or upgrades that are required, which impacts the financial viability of such projects. There is also a potential risk associated with transmission curtailment measures being contemplated by the Ontario transmission system operator. These measures could be imposed in the future on renewable energy generators in Ontario. The curtailments may reduce the amount of annual revenue generated by our projects below the forecasted financial models, thus reducing the expected investment return from these projects.

Rollover of Leases

Revenue properties generate income through rent received from 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 those of the existing lease. Our cash flows and financial position could be adversely affected if tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our revenue properties could not 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. In addition, 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.

Market Conditions

Revenue properties are subject to economic and other factors affecting the real estate markets in the geographic areas where we own and manage properties. These factors include government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long-term interest and inflation rates. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in areas where these properties are located decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

Real Estate Ownership

An investment in real estate is relatively illiquid. Such illiquidity tends to limit our ability to vary our commercial property 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 to dispose of properties at lower prices in order to generate sufficient cash for operations.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made regardless of whether or not a property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, properties must be maintained or, in some cases, improved to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which may not be able to be passed on to 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. Any failure by us to ensure appropriate maintenance and refurbishment work is undertaken could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even terminate existing leases. Any such event could have an adverse effect on our cash flows, financial condition and results of operations.

Changes in Law

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 such laws or regulations or changes in their application, enforcement or regulatory interpretation could result in changes in the legal requirements affecting commercial properties (including with retroactive effect). Any changes in the laws to which we are subject or in the jurisdictions where the commercial properties in which we have an interest are operated could adversely affect us and the revenues we are able to generate from our investments.

Forward-Looking Information

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation. The forward-looking information in this MD&A is presented for the purpose of providing disclosure of the current expectations of our future events or results, having regard to current plans, objectives and proposals, and such information may not be appropriate for other purposes. Forward-looking information may also include information regarding our respective future plans or objectives and other information that is not comprised of historical fact. Forward-looking information is predictive in nature and depends upon or refers to future events or conditions; as such, this MD&A uses words such as “may”, “would”, “could”, “should”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate” and similar expressions suggesting future outcomes or events to identify forward-looking information.

Any such forward-looking information is based on information currently available to us, and is based on assumptions and analyses made by us in light of our respective experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances, including but not limited to: that no unforeseen changes in the legislative and operating framework for the respective businesses will occur; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans; that our future projects and plans will proceed as anticipated; and that future market and economic conditions will occur as expected.

However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict. Factors that could cause actual results or events to differ materially from those described in the forward-looking information include, but are not limited to: adverse changes in general economic and market conditions; our inability to raise additional capital; our inability to execute strategic plans and meet financial obligations; and risks associated with our anticipated real estate operations and investment holdings in general, including environmental risks, market risks, and risks associated with inflation, changes in interest rates and other financial exposures. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking information contained, or incorporated by reference, in this MD&A, see the risk factors discussed under “Risk Factors” in this MD&A.

In evaluating any forward-looking information contained, or incorporated by reference, in this MD&A, we caution readers not to place undue reliance on any such forward-looking information. Any forward-looking information speaks only as of the date on which it was made. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking information contained, or incorporated by reference, in this MD&A to reflect subsequent information, events, results, circumstances or otherwise, except as required by law.

Non-IFRS Measures

We believe that important measures of operating performance include certain performance measures that are not defined under IFRS and, as such, may not be comparable to similar performance measures used by other companies. Throughout this MD&A, there are references to certain performance measures which management believes are relevant in assessing the economics of the business of Dream. While these performance measures are not formally recognized by IFRS, we believe that they are informative and provide further insight as supplementary measures of earnings for the period and cash flows.

"Adjusted net worth" is an important measure used in our debt covenant calculation and represents our total assets in addition to our share of the assets from equity accounted investments, and our partner's assets where there are guarantees that are joint and several, and excludes the fair value adjustment relating to the investment properties and is reduced by our total liabilities and liabilities of the equity accounted investments.

"Assets under management ("AUM")" is the respective carrying value of total assets managed by the Company on behalf of its clients, investors or partners. Assets under management is a measure of success against the competition and consists of growth or decline due to asset appreciation, changes in fair market value, acquisitions and dispositions, operations gains and losses, and inflows and outflows of capital.

"Debt" is an important measure used in our debt covenant calculation and represents all liabilities including our share of those of our equity accounted investments, deferred tax liabilities relating to the fair value adjustment of our investment properties, guarantees, and letters of credit not relating to the land and housing businesses.

"EBITDA" is an important measure used in our debt covenant calculation and represents earnings for the last four quarters, excluding the fair value adjustment to investment properties, gain on sale of recreational properties, deferred taxes, income taxes, depreciation and interest expense.

"Fee earning assets under management" represents assets under management that are managed under contractual arrangements that entitle the Company to earn asset management revenues.

"Gross margin" is an important measure of operating earnings in each business segment of Dream and represents revenue less direct operating costs and asset management and advisory services expenses, excluding selling, marketing and other operating costs. Gross margin may be expressed as an absolute number or as a percentage of revenue.

"IRR" is an important measure of average annual returns delivered over a period of time, calculated based on Dream's market capitalization (including non-controlling interests) at December 31, 2014.

"Net margin" is an important measure of operating earnings in each business segment of Dream and represents gross margin, as defined above, including selling, marketing and other operating costs. Net margin may be expressed as an absolute number or as a percentage of revenue.

Additional Information

Additional information relating to Dream Unlimited Corp. is available on SEDAR at www.sedar.com. Dream Class A subordinate voting shares trade on the Toronto Stock Exchange under the symbol **"DRM"** and Dream Preferred shares, series 1, trade under the symbol **"DRM.PR.A"**.