

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Granite Real Estate Inc. (fka MI Developments Inc.)		98-0427356	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Sandra Ceccacci	647-925-7524	sceccacci@granitereit.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
77 King Street West, Suite 4010, PO Box 159		Toronto, Ontario M5K 1H1	
8 Date of action		9 Classification and description	
January 3, 2013		Common Shares	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
387431109		GRP	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On January 3, 2013, under a series of steps pursuant to a court approved plan of arrangement, holders of common shares of Granite Real Estate Inc. ("Granite") received stapled units ("Stapled Units"), consisting of a unit in Granite Real Estate Investment Trust ("Granite REIT") and a common share of Granite REIT Inc. ("Granite GP"), on a one-for-one basis. The various steps of the plan of arrangement resulted in (a) the initial receipt of Stapled Units in exchange for Granite common shares ("Step A"); (b) the receipt of "Class X" shares for Granite common shares ("Step B"); and (c) the contribution by shareholders of the Class X shares to Granite REIT in exchange for additional Stapled Units ("Step C").

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Following the plan of arrangement, each Granite shareholder should have a basis in each Stapled Unit received equal to the greater of (x) USD\$28.16, the fair market value of the Stapled Units distributed to shareholders in Step A; or (y) the shareholder's basis its Granite common share immediately prior to the arrangement.

As between Granite GP common shares and Granite REIT units, a unitholder should allocate \$0 of its Stapled Unit basis to its Granite GP common shares and the remainder of its Stapled Unit basis to its Granite REIT units.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶

The fair market value of a single Stapled Unit distributed to shareholders on January 3, 2013 was CAD\$38.59.
Of that CAD\$38.59:
-CAD\$1.00 (USD\$1.01*) will be treated as a dividend (pursuant to Step A, based on Granite's estimate of its E&P).
-CAD\$26.82 (USD\$27.15*) (the value of the non-dividend portion of Stapled Units distributed to shareholders pursuant to Step A) will be treated (i) as a return of capital, and (ii) taxable to the extent the distribution exceeds a shareholder's basis in its Granite share.
-CAD\$10.77 (USD\$10.90*) (the value of the Stapled Units received by common shareholders pursuant to Steps B and C) will be treated as non-taxable, so shareholders will have a carryover basis in that portion representing the excess of their basis over CAD\$26.82 (USD\$27.15).

*Based on the January 3, 2013 foreign currency exchange rate posted by OANDA Corporation of CAD\$1 for USD\$1.01234.
 For Paperwork Reduction Act Notice, see the separate Instructions. Cat. No. 37752P **Form 8937** (12-2011)

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

[IRC § 301\(c\)](#)

[IRC § 301\(d\)](#)

[IRC § 368\(a\)\(1\)\(E\)](#)

[IRC § 721\(a\)](#)

[IRC § 722](#)

18 Can any resulting loss be recognized? ▶ [No.](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____

[These actions are effective on January 3, 2013.](#)

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ A signed copy has been filed with the IRS Date ▶ _____

Print your name ▶ Michael Forsayeth Title ▶ Chief Financial Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	