

## **Tax treatment of German investors investing in the Dundee REIT**

### **- Investor Summary -**

This investor summary is intended to serve as a brief overview of certain tax consequences that may be of importance to Dundee REIT investors. It is not intended to be exhaustive or to serve as a substitute for careful personal tax planning. Certain tax consequences may depend upon the investor's specific tax profile and circumstances (including the potential for changes therein). Therefore, investors should consult their own tax and legal counsel to satisfy themselves as to the income tax, and other tax consequences of investing in Dundee REIT based on their particular circumstances.

Under the current German offshore fund rules, Dundee REIT should no longer qualify as a foreign investment fund. Hence, the tax consequences for German investors investing in Dundee REIT should result from the general German income tax provisions rather than from the German Investment Tax Act. Based on the analysis of Dundee REIT's German tax advisor, Dundee REIT and its sub-tier trusts should be comparable to fiduciary trusts ("Treuhand") from a general German tax perspective. Therefore, for German tax purposes, the German unit-holders would receive the income directly from the trusts' underlying investments, i.e. from Dundee Properties Limited Partnership ("DPLP").

**Accordingly, German investors should receive mostly real estate income from Canadian sources that should be tax exempt for the German investors based on the provisions of the Double Tax Treaty Canada - Germany (subject to progression reserve). Also, dividends and capital gains upon disposal of sub-tier corporations attributed by DPLP should benefit from tax relief under the half-income tax and exemption principle in Germany, whereas interest income would in principle be fully subject to German taxation (depending on the particular tax status of the investor). Whether taxes withheld at the Dundee REIT level in Canada with regards to the payments to German investors would be creditable to German taxes depends mainly on the kind of income attributed to German investors.**

It has to be noted that neither German civil law nor German tax law provide for any regulation of a trust since the trust concept is stemming from Common Law Jurisdiction. Upon request by Dundee REIT's German tax advisor, the German tax authorities (Federal Ministry of Finance) confirmed that they have not yet officially dealt with the treatment of a foreign listed trust for income tax purposes and unfortunately could not yet grant a written confirmation regarding Dundee REIT's German tax treatment. The German tax authorities may, therefore, take a different view regarding the qualification of Dundee REIT and its investments than the one outlined above. In such case the tax consequences could be different.