**Tax Treatment of 2007 Redemption and Transfer**
**(additional explanation)**

**Tax Treatment for Certain Taxable Canadian Residents of the Redemption and Transfer Related to the August 2007 of the Eastern Portfolio**

*The information contained in this summary is applicable to a taxable Canadian resident who held their units as capital property. It is not applicable to a Unitholder that is a "financial institution" as defined in the Tax Act that is subject to the "mark-to-market" rules, a Unitholder that is a "specified financial institution" as defined in the Tax Act or a Unitholder an interest in which is a "tax shelter investment" as defined in the Tax Act. Further, this summary does not constitute legal or tax advice to any Unitholder, and no representation with respect to the particular federal income tax consequences to any particular Unitholder is made, and all unitholders should consult their own tax advisors.*

**Summary of Tax Components of Distributions on Redemption**

The transaction that occured on August 24, 2007, was comprised of two components, the Redemption (see (A) below) and the Transfer (see (B) below). Any units that were not sold into the transaction retain their original cost basis and the tax treatment related to the transaction does not apply.

Following below are the tax components received by Canadian resident unitholders who disposed of units pursuant to the Redemption and the Transfer on August 24, 2007:

**(A) Units acquired by Dundee REIT pursuant to the Redemption**
**(received on approx. 89.6% of units disposed of):**

| Payment description: | | Amount | Form |
|---|---|---|---|
| Income per unit: | $ | 3.46956 | T3 |
| Capital gains per unit: | $ | 24.91586 | T3 |
| Dividends per unit: | $ | 0.04430 | T3 |
| Proceeds of disposition per unit: | $ | 19.07028 | T5008 |
| **TOTAL** | **$** | **47.50** | |

(B) Units acquired by GE Real Estate Canada pursuant to the Transfer (received on approx. 10.4% of units disposed of):

| Payment description: | | Amount | Form |
|---|---|---|---|
| Proceeds of disposition per unit: | $ | 47.50 | T5008 |

### Management Information Circular

Page 65 of the Management Information Circular dated July 13, 2007 outlined the Canadian income tax consequences of the Redemption and Transfer to certain taxable Unithholders resident in Canada. These can be summarized as follows:

Distributions Paid on Redemption:

A. a Redeeming unitholder will be allocated a pro rata share of any income arising from the sale of the Purchased Assets and the REIT Exception Transaction. Specifically, a Redeeming Unitholder will be allocated:
   i. a share of net income (including recapture) that will be characterized as ordinary income and dividends that will be characterized as such;
   ii. ii. a share of the net taxable portion of capital gains that will retain their character as taxable capital gains; and
   iii. iii. a share of the non-taxable portion of capital gains that will retain their character as non-taxable capital gains
B. a Redeeming Unitholder will realize a capital gain (or capital loss) on the Redemption to the extent that its proceeds of disposition (that is, $47.50 less amounts noted in A above) exceeds (or is less than) the Redeeming Unitholders' adjusted cost base ("ACB") of the REIT unit immediately before the redemption.

Transfer:
- a Unitholder will realize a capital gain (or loss) on the Transfer to the extent that its proceeds of disposition exceeds (or is less than) the ACB of the REIT unit immediately prior to the Transfer.

### Example
The following is a numerical example intended to better illustrate the tax consequences noted above.

| ASSUMPTIONS : |
|---|
| a) At the time of the Redemption and Transfer, a Unitholder owns 100 units that were purchased on January 1, 2007 at a per unit cost of $38.65 (including commissions). |
| b) The Unitholder does not participate in the DRIP. |
| c) A "pro rata" election is made (i.e. approximately 76% of the units owned were disposed of and approximately 24% were retained). |
| d) Of the 76 units disposed of, 68 units will have been redeemed and 8 units will have been transferred. |

**a. Pro rata allocation of distributions received on the Redemption that arose from the sale of Purchased Assets and the REIT Exception Transaction:**

| | Amount per unit | Total for 68 units redeemed | Source of information |
|---|---|---|---|
| Income | $ 3.46956 | $ 235.93 | T3 |
| Taxable capital gains | $ 12.45793 | $ 847.14 | T3 |
| Non-taxable capital gains | $ 12.45793 | $ 847.14 | T3 |
| Dividends | $ 0.04430 | $ 3.01 | T3 |
| Proceeds of Disposition | $ 19.07028 | $ 1,296.78 | T5008 |
| Total | $ 47.50 | $ 3,230.00 | |

**b. Capital loss on Redemption:**

| | Amount per unit | Total for 68 units redeemed | Source of information |
|---|---|---|---|
| Proceeds of disposition | $ 19.07028 | $ 1,296.78 | T5008 |
| Adjusted cost base | $ 38.53 | $ (2,620.04) | See Footnote 1(a) below |
| Capital loss | | $ (1,323,26) | |
| **Taxable capital loss** | | $ **(661.63)** | |

**c. Capital gain on Transfer:**

| | Amount per unit | Total for 8 units Transferred | Source of information |
|---|---|---|---|
| Proceeds of disposition | $ 47.50 | $ 380.00 | T5008 |
| Adjusted cost base | $ 38.53 | $ (308.24) | See Footnote 1(b) below |
| Capital gain | | $ 71.76 | |
| **Taxable capital gain** | | $ **35.88** | |

**Footnote 1 - Computation of Adjusted Cost Base**

| | Units | ACB / unit | Total ACB | Comments |
|---|---|---|---|---|
| Units acquired on January 1, 2007 | 100 | $ 38.65 | $ 3,865.00 | T5008 |
| Return of capital, Period 1-8 distributions | 100 | $ (0.12) | (11.97) | See CDS form |
| ACB prior to Redemption | 100 | $ 38.53 | $ 3,853.03 | |
| Redemption | (68) | $ 38.53 | $ (2,620.04) | (a) |
| Transfer | (8) | $ 38.53 | $ (308.24) | (b) |
| Redemption | 24) | $ 38.53 | $ 924.75 | |