

## **DIVIDEND CAPITAL REALTY INCOME ALLOCATION FUND**

### **Audit Committee Charter**

The Audit Committee is appointed by the Board of Trustees (“Board”) to assist the Board in monitoring (i) the integrity of the financial statements of the Dividend Capital Realty Income Allocation Fund (“Fund”), (ii) the compliance by the Fund with legal and regulatory requirements, (iii) the qualifications and independence of the Fund’s independent auditors, and (iv) the performance of the Fund’s internal audit function and independent auditors.

#### **I. Audit Committee Membership and Other Qualifications**

The Audit Committee shall have at least two members, to be selected by the Board. No member of the Audit Committee shall be an “interested person” of the Fund as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940 (“1940 Act”), nor shall any member receive any consulting, advisory or other compensation from the Fund except compensation for service as a member of the Board or a committee of the Board. Each member of the Audit Committee must be financially literate, as that qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable time after appointment to the Audit Committee. At least one member of the Audit Committee must have accounting or related financial management expertise as the Board interprets such qualification in its judgment.

The Board shall determine annually whether any member of the Audit Committee is an “audit committee financial expert” as defined in Item 3 of Form N-CSR.

Notwithstanding any designation as an audit committee financial expert, each member of the Audit Committee is expected to contribute significantly to the work of the Audit Committee. Moreover, designation as an audit committee financial expert will not increase the duties, obligations or liabilities of the designee as compared to the duties, obligations and liabilities imposed on the designee as a member of the Audit Committee and of the Board.

#### **II. Purposes of the Audit Committee**

The purposes of the Audit Committee are:

- (a) to oversee the accounting and financial processes of the Fund and its internal control over financial reporting and, as the Audit Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party service providers;
- (b) to oversee the quality and integrity of the Fund’s financial statements and the independent audit thereof;
- (c) to approve prior to appointment the engagement of the Fund’s independent auditors, and to recommend to the Board of Trustees of the Fund the selection, retention or termination of the Fund’s independent auditors and, in connection therewith, to review and evaluate the qualifications, independence and performance of the Fund’s independent auditors;
- (d) to oversee, or, as appropriate, assist Board oversight of, the Fund’s compliance with legal and regulatory requirements that relate to the Fund’s accounting and financial reporting, internal control over financial reporting and independent audits;
- (e) to act as a liaison between the Fund’s independent auditors and the Board;

- (f) to prepare an audit committee report as required by Item 306 of Regulation S-K to be included in proxy statements relating to the election of directors; and
- (g) to assist Board oversight of the Fund's internal audit function (if any).

### **III. Duties and Powers of the Audit Committee**

The following functions shall be common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate, given the circumstances.

To carry out its purposes, the Audit Committee shall:

1. Report activities to the Board on a regular basis and make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate;
2. Approve prior to appointment the engagement of auditors to annually audit and provide their opinion on the Fund's financial statements, recommend to the Board the selection, retention or termination of the Fund's independent auditors and, in connection therewith, review and evaluate matters potentially affecting the independence and capabilities and independence of the auditors. In evaluating the auditor's qualifications, performance and independence, the Audit Committee must, among other things, obtain and review a report by the auditor, at least annually, describing all relationships between the independent auditor and the Fund, as well as the Fund's investment adviser or any control affiliate of the investment adviser that provides ongoing services to the Fund;
3. Approve prior to appointment the engagement of the independent auditor to provide other audit services to the Fund or to provide non-audit services to the Fund, its investment adviser or any entity controlling, controlled by, or under common control with the investment adviser.
4. Develop, to the extent deemed appropriate by the Audit Committee, policies and procedures for pre-approval of the engagement of the Fund's independent auditors to provide any of the services described in (3) above;
5. Consider the controls applied by the independent auditors and any measures taken by management in an effort to assure that all items requiring pre-approval by the Audit Committee are identified and referred to the Committee in a timely fashion;
6. Consider whether any non-audit services provided by the Fund's independent auditor to the Fund's investment adviser or any adviser affiliate that provides ongoing services to the Fund, which services were not pre-approved by the Audit Committee, are compatible with maintaining the independent auditor's independence;
7. Review the arrangements for and scope of the annual audit and any special audits;
8. Review and approve the fees proposed to be charged to the Fund by the independent auditors for each audit and non-audit service;
9. Consider information and comments from the independent auditors with respect to the Fund's accounting and financial reporting policies, procedures and internal control over financial reporting (including the Fund's critical accounting policies and practices), to consider management's responses to any such comments and, to the extent the Audit Committee deems necessary or appropriate, to promote improvements in the quality of the Fund's accounting and financial reporting;

10. Consider information and comments from the independent auditors with respect to, and meet with the independent auditors to discuss any matters of issue relating to, the Fund's financial statements, including any adjustments to such statements recommended by the independent auditors, review the independent auditors' opinion on the Fund's financial statements and to discuss with management and the independent auditor the Fund's annual audited financial statements and other periodic financial statements, including the Fund's disclosures under "Management's Discussion of Fund Performance";
11. Review with management significant judgments made in connection with the preparation of the Fund's financial statements;
12. Resolve disagreements between management and the auditors regarding financial reporting;
13. Consider any reports of difficulties that may have arisen in the course of the audit, including any limitations on the scope of the audit, and management's response thereto;
14. Discuss with the independent auditor the matters required to be discussed by the Statement on Auditing Standards ("SAS") No. 61 (as amended by SAS No. 90) issued by the Auditing Standards Board, relating to the conduct of the audit;
15. Review with the Fund's principal executive officer and/or principal financial officer in connection with the required certifications on Form N-CSR and Form N-Q any significant deficiencies in the design or operation of internal controls over financial reporting or material weaknesses therein and any reported evidence of fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting;
16. Establish procedures for the receipt, retention and treatment of complaints received by the Fund relating to accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Fund, its investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the Fund about accounting or auditing matters, and to address reports from attorneys or auditors of possible violations of federal or state law or fiduciary duty;
17. Investigate or initiate an investigation of reports of improprieties or suspected improprieties in connection with the Fund's accounting or financial controls;
18. Discuss generally the Fund's press releases, as well as any financial information and earnings guidance provided to analysts and ratings agencies (if any), *e.g.*, the types of information to be disclosed and the type of presentation to be made;
19. Review in a general manner, but not as a committee to assume responsibility for, the Fund's processes with respect to risk assessment and risk management;
20. Perform such other functions and have such powers as may be necessary or appropriate in the efficient and lawful discharge of the powers provided in the Fund's Charter.

The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditors for the purpose of conducting the audit and rendering their audit report, the authority to retain and compensate special counsel and other experts or consultants as the Audit Committee deems necessary, and the authority to obtain specialized training for Audit Committee members, at the expense of the Fund.

The Audit Committee may delegate any portion of its authority, including the authority to grant pre-approvals of audit and permitted non-audit services, to a subcommittee of one or more members. Any decisions of

the subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next regularly scheduled meeting.

#### **IV. Roles and Responsibilities of the Audit Committee**

The function of the Audit Committee is oversight. It is the management's responsibility to maintain appropriate systems for accounting and internal controls over financial reporting, and it is the independent auditor's responsibility to plan and carry out a proper audit. Management is responsible for: (i) the preparation, presentation and integrity of the Fund's financial statements; (ii) the maintenance of appropriate accounting and financial reporting principles and policies; and (iii) the maintenance of internal control over financial reporting designed to assure compliance with accounting standards and applicable law. The independent auditors are responsible for planning and carrying-out an audit consistent with applicable legal and professional standards and the terms of the engagement titles. Nothing in this Charter shall be construed to reduce the responsibilities or liabilities of the Fund's service providers, including the auditors.

The review of the Fund's financial statements by the Audit Committee is not an audit, nor does the Audit Committee's review substitute for the responsibilities of the Fund's management for preparing, or the independent auditors for auditing, the financial statements. Members of the Audit Committee are not full-time employees of the Fund, and, in serving on the Audit Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures.

In discharging their duties, the members of the Audit Committee are entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by: (i) one or more officers of the Fund whom the Audit Committee reasonably believes to be competent in the matters presented; or (ii) legal counsel, public accounts, or other persons as to matters the Audit Committee reasonably believes are within the person's professional or expert competence.

The Audit Committee shall serve as the Fund's qualified legal compliance committee ("QLCC") (as that term is defined under 17 C.F.R. § 205). The duties of the QLCC are listed at Exhibit B to this Charter.

#### **V. Operations of the Audit Committee**

1. The Audit Committee shall meet at least once annually, and is authorized to hold special meetings as circumstances warrant.
2. The Audit Committee shall ordinarily meet in person; however, members may attend telephonically or by video conference. The Audit Committee may act by written consent, to the extent permitted by law and by the Fund's by-laws.
3. The Audit Committee shall regularly meet with representatives of management and, in separate executive session, with the Fund's independent auditors, the Fund's internal auditors or other personnel responsible for the Fund's internal audit function (if any). The Audit Committee may also request to meet with internal legal counsel and compliance personnel of the investment adviser and with entities that provide significant accounting or administrative services to the Fund.
4. The Audit Committee shall prepare and retain minutes of its meetings and appropriate documentation of decisions made outside of meetings by delegated authority.
5. The Audit Committee may select one of its members to be the chair.
6. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business at any meeting of the Audit Committee. The action of a majority of the members of the Audit Committee present at a meeting at which a quorum is present shall be the action of the Audit Committee.

7. Upon the recommendation of the Audit Committee, the Board shall adopt and approve this Charter and may amend it. The Audit Committee shall review this Charter at least annually and recommend to the Board any changes the Audit Committee deems appropriate or necessary.
8. The Audit Committee shall evaluate its performance at least annually.

August 23, 2006.

## **EXHIBIT A**

### **Complaint Procedures**

The Sarbanes-Oxley Act of 2002 requires that audit committees establish procedures for complaints relating to accounting, internal controls, and auditing and confidential anonymous information submitted by employees relating to “questionable accounting or auditing matters”. The following procedures are designed to comply with these requirements.

#### **1. Objectives**

The Complaint Procedures are designed to enable employees of the Fund, its investment advisor, administrator, custodian, transfer agent, independent auditor, and other service providers (collectively, “employees”) to raise complaints and concerns that relate to accounting, internal accounting controls or auditing matters without fearing, or being threatened with, retaliation. Each employee is encouraged and expected to report questionable Fund accounting or auditing matters.

#### **2. Raising Complaints and Concerns**

If an officer or employee has a complaint or a concern that relates to accounting, internal accounting controls or auditing matters, that employee may submit the complaint or concern – anonymously if so desired – to the attention of the Fund’s Secretary by sending, either through the use of a facsimile transmission, first class mail or express delivery, a written correspondence to the Fund’s principal executive office. Additionally, such concerns or complaints may also be sent to any member of the Audit Committee.

#### **3. Receipt, Retention and Treatment of Complaints**

All complaints received by the Fund regarding accounting, internal accounting controls or auditing matters will be forwarded either to the entire Audit Committee of the Board of Trustees or specifically to the Chair of the Audit Committee for response unless the Fund’s Secretary determines that the received complaint lacks merit. If the complaint is sent solely to the Chair of the Audit Committee, the Chair may individually determine the appropriate response or refer the matter to the entire Audit Committee. At the end of each fiscal quarter, the Fund’s Secretary will present to the Audit Committee a record of all concerns and complaints, including those that the Secretary determined lacked merit that the Fund received during that quarter.

The Audit Committee will evaluate each concern or complaint that it receives. If the Audit Committee does not have sufficient information to properly evaluate a concern or complaint, the Audit Committee may conduct an investigation or may delegate that duty to another person or entity. During such investigations, the Audit Committee or the delegated party may interview any individual who the Audit Committee believes has relevant information.

Upon the conclusion of any investigation to evaluate a concern or complaint, the Audit Committee will authorize any subsequent action that may be necessary or appropriate to address the concern or complaint. The Fund is empowered with executing any such necessary or appropriate remedial actions, including discharging any employees that are deemed to have engaged in improper conduct.

A copy of each complaint and the Fund’s response shall be made available to the Fund’s independent public accountants.

At the end of each fiscal quarter, the Fund’s Secretary will provide a record of all complaints and concerns, including ones that were determined to not have any merit that the Fund received during that fiscal quarter. A copy of each complaint and response thereto shall be preserved and maintained in an easily accessible place for a period of not less than five years from the end of the fiscal year in which the complaint was received.

#### **4. Confidentiality**

The recipients of information pursuant to these complaint procedures will strive to keep all complaints and concerns that relate to accounting, internal accounting controls or auditing matters, as well as the identities of those who submit or investigate them, as confidential as possible. As such, disclosure will be limited to only individuals who may have a business need to know, or pursuant to regulatory or legal requirements.

Unless an individual knows that a concern or complaint is false and submits that concern or complaint to the Fund, the Fund and its affiliates and service providers shall not penalize or retaliate against any person or entity for:

- reporting a complaint or concern that relates to accounting, internal accounting controls or auditing matters; or
- cooperating in the investigation of such a complaint or concern.

Any such retaliation may result in criminal action and will warrant disciplinary action against the offending party, including termination of employment.

The Fund will distribute a copy of these Complaint Procedures to its service providers.

## **EXHIBIT B**

### **Duties and Responsibilities of the Qualified Legal Compliance Committee**

The Fund's Qualified Legal Compliance Committee ("QLCC") shall adopt written procedures for the confidential receipt, retention, and consideration of any report of evidence of a material violation.

Once a reporting attorney provides to the QLCC a report that evidences a material violation by the Fund or any of its officers, Trustees, employees or agents, the QLCC must:

- review the report and determine whether an investigation is necessary regarding such a report.

If the QLCC determines that such an investigation is necessary, the QLCC must further:

- notify the full board of trustees;
- initiate an investigation which may be conducted by either the Fund's CEO, the Fund's counsel or outside attorneys; and
- retain such additional expert personnel as the QLCC deems necessary.

At the conclusion of any such investigation, the QLCC must:

- recommend, by majority vote, that the Fund implement an appropriate response to evidence of a material violation; and
- inform the Fund's CEO and the Board of the results of any such investigation and the appropriate remedial measures to adopt.

The QLCC shall have the authority and responsibility, acting by majority vote, to take all other appropriate action, including the authority to notify the U.S. Securities Exchange Commission in the event that the Fund fails in any material respect to implement an appropriate response that the QLCC has recommended.

A "material violation" as used in this procedure shall mean a material violation of an applicable United States federal or state securities law, a material breach of fiduciary duty arising under United States federal or state law, or a similar material violation of any United States federal or state law. "Material" refers to conduct or information about which a reasonable investor in the Fund would want to be informed before making an investment decision.