

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exemptions, may not be offered or sold in the U.S.

Prospectus

Initial Public Offering

June 18, 2010



MORGUARD SUNSTONE REAL ESTATE INCOME FUND

Maximum \$100,000,000 (10,000,000 Units)

Morguard Sunstone Real Estate Income Fund (the “**Fund**”) is an investment trust established under the laws of the Province of British Columbia. The Fund proposes to offer (the “**Offering**”) and this prospectus qualifies the issuance of, a minimum of 2,000,000 and a maximum of 10,000,000 units (“**Units**”) of the Fund at a price of \$10.00 per Unit (the “**Unit Price**”). There are two classes of Units of the Fund, Class A Units and Class F Units.

Morguard Financial Corp. (the “**Investment Manager**”) and Sunstone Investment Management Inc. (the “**Manager**”) believe that a diversified portfolio of publicly traded real estate securities has the potential to provide attractive, stable income with the opportunity for long-term capital appreciation. The Investment Manager and the Manager also believe that having experience through their affiliates in the acquisition, ownership and operation of real estate properties provides additional insight into potential investment opportunities and will improve their ability to establish an investment portfolio with enhanced yields and diminished risk. See “Rationale of the Fund”.

The Fund’s investment objectives are to provide holders of Units (“**Unitholders**”) with the opportunity for (i) stable monthly distributions and (ii) long-term capital appreciation, through investment in an actively managed, diversified portfolio (the “**Portfolio**”) of publicly traded real estate securities, including securities of Canadian and United States real estate investment trusts (“**REITs**”) and real estate operating companies and the companies that provide services to them and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers. See “Investment Objectives”.

The Investment Manager has been retained to provide investment advisory and portfolio management services to the Fund. The Investment Manager is part of the Morguard group, which owns and manages approximately \$9.0 billion in assets comprising more than 45 million square feet of high-quality commercial properties and 12,600 apartment units in Canada and the southeastern United States. The Investment Manager presently manages over \$100 million in both the debt and equity of Canadian REITs and real estate operating companies, including the CIBC Canadian Real Estate Mutual Fund, the Morguard Real Estate Equities Fund, and two balanced pension fund mandates. Charles Dillingham, Vice President & Portfolio Manager, who will be the principal responsible for the Fund, has over 30 years of experience in managing real estate and income-producing investments under a variety of institutional mandates. See “Investment Strategies – The Investment Manager” and “Organization and Management Details of the Fund – The Investment Manager”.

The Manager will act as the manager of the Fund. The Manager is a member of the Sunstone Realty Advisors Inc. group (“**Sunstone**”), a diversified Vancouver-based real estate investment, development and management group. Since 2003, Sunstone has, through investment structures such as limited partnerships, public and private REITs, debentures and mortgages, raised over \$280 million in private and public equity and acquired, managed and/or

developed over \$600 million in commercial, residential and office properties in Canada and the United States. See “Organization and Management Details of the Fund – The Manager”.

The Toronto Stock Exchange (“TSX”) has conditionally approved the listing of the Class A Units, subject to the Fund fulfilling all of the requirements of the TSX on or before September 16, 2010.

Price: \$10.00 per Class A Unit and \$10.00 per Class F Unit

Minimum Purchase: 200 Class A Units (\$2,000) or 1,000 Class F Units (\$10,000)

	<u>Price to Public⁽¹⁾</u>	<u>Agents’ Commission</u>	<u>Proceeds to the Fund⁽²⁾</u>
Per Class A Unit	\$10.00	\$0.525	\$9.475
Per Class F Unit	\$10.00	\$0.225	\$9.775
Minimum Offering (2,000,000 Units) ⁽³⁾	\$20,000,000	\$1,050,000 ⁽⁴⁾	\$18,950,000
Maximum Offering (10,000,000 Units)	\$100,000,000	\$5,250,000 ⁽⁴⁾	\$94,750,000

(1) The terms of the Offering were established through negotiation between the Lead Agent (as defined herein) and the Manager.

(2) Before deducting the expenses of the Offering, estimated to be \$500,000, to be allocated *pro rata* to each class of Units on the basis of the initial NAV per Class A Unit (as defined herein) and NAV per Class F Unit (as defined herein) (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents’ Commission, will be paid by the Fund from the proceeds of the Offering.

(3) There will be no closing unless a minimum of 2,000,000 Units are sold not more than 90 days after the date of the Receipt (as defined herein) for the Final Prospectus (as defined herein).

(4) The Agents’ Commissions shown are based on the fee payable on the Class A Units. This amount will be lower and the net proceeds to the Fund will be higher to the extent that Class F Units are sold.

(5) The Fund has granted to the Agents (as defined herein) an option (the “**Over-Allotment Option**”), exercisable in whole or in parts for a period of 30 days from closing of the Offering (the “**Closing**”), to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the Closing on the same terms as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the Maximum Offering, Agents’ Commission and net proceeds to the Fund, before deducting the expenses of the Offering, estimated to be \$500,000, will be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Units upon the exercise of such option. A purchaser who acquires Units forming part of the Over-Allotment Option acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

(6) The maximum number of Class F Units to be issued under this Offering will be limited such that the number and fair market value of issued and outstanding Class F Units will be less than the number and fair market value, respectively, of outstanding Class A Units. See “Description of the Securities Distributed – Units – Principal Class of Units”.

The Fund intends to make monthly distributions to Unitholders of record on the last Business Day (as defined herein) of each month. Distributions are initially targeted to be 6.5% per annum on the Unit Price of \$10.00 per Unit (\$0.05417 per Unit per month or \$0.65 per Unit per annum). The first distribution will be payable to Unitholders of record on July 30, 2010 and will be pro rated to reflect the period from the Closing Date to July 31, 2010. Beginning in 2011, the amount of monthly distributions will be based on the Manager’s assessment of the anticipated cash flow and anticipated expenses of the Fund from time to time. Distributions will be paid within 15 days following the end of each month for which a distribution is declared (the “**Distribution Payment Date**”). Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, assuming that the Fund uses leverage in an amount equal to 15% of the net asset value (“**Net Asset Value**”) of the Fund, the Portfolio would be required to generate a total return of approximately 7.9% inclusive of dividends and other income in order to deliver its initial targeted distribution on the Units. If the yield on the Portfolio is not sufficient to fund the distributions in their entirety, the Fund may sell securities to pay the distribution and accordingly, the Net Asset Value will be reduced. There is no assurance that there will be a distribution in any month or months. The Fund may also make additional distributions in excess of monthly distributions during the year, as the Manager may determine. After July 31, 2011, the Fund will not have a fixed monthly distribution amount. **The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.** See “Distribution Policy”.

It is expected that cash distributions over the life of the Fund will be derived primarily from distributions, dividends and interest paid on the Portfolio Securities (as defined herein), net realized capital gains from the sale of Portfolio

Securities from time to time and, in the discretion of the Manager, where these other sources are insufficient, returning capital from the sale of Portfolio Securities.

Units may be redeemed annually on the last Business Day of October in each year commencing in October, 2011, subject to the Manager's right to suspend redemptions in certain circumstances. See "Redemption of Units".

The Fund is offering two classes of Units, Class A Units and Class F Units. Class A Units are available to all investors. Class F Units are intended for investors who have or who arrange to have fee-based accounts with a registered dealer. The Class F Units will not be listed on a stock exchange. Although subscription proceeds received from investors will be tracked by the Fund on a class-by-class basis in the Fund's records, the assets of all classes of Units of the Fund are combined into a single pool to create one portfolio for investment purposes. The number of Class F Units offered by the Fund will be limited. See "Description of the Securities Distributed – Units – Principal Class of Units".

Purchasers acquiring Class A Units are required to acquire a minimum of 200 Class A Units. Purchasers acquiring Class F Units are required to acquire a minimum of 1,000 Class F Units.

Prospective purchasers may acquire Units either by (a) an exchange (the "Exchange Option") of freely tradable Eligible Securities (as defined herein) or (b) a cash payment (the "Cash Subscriptions") of \$10.00 per Unit. See "Purchases of Units - Purchasing Units" and "Purchases of Units – Determination of Exchange Ratios". **The Exchange Option does not constitute, should not be construed as, and is not intended to be, a take-over bid for any Exchange Issuer.**

The maximum number of Eligible Securities of any particular Exchange Issuer that the Fund may acquire pursuant to the Exchange Option (the "Maximum Ownership Level") is limited. See "Purchases of Units – Details of the Exchange". The maximum number of Eligible Securities of any particular Exchange Issuer that the Fund may acquire will also be limited pursuant to the Investment Restrictions (as herein defined). See "Investment Restrictions – Investment Restrictions of the Fund".

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. The Fund is not a "mutual fund" as defined in the securities legislation applicable in certain provinces and does not operate in accordance with the requirements of the Canadian securities regulations applicable to mutual funds. Accordingly, certain investor protections contained in these requirements are not available to purchasers of Units. The Units are not deposits within the meaning of the *Canada Deposit Insurance Corporations Act* and are not insured under the provisions of that Act or any other legislation.

An investment in the securities offered by this Prospectus must be considered speculative as the securities are subject to certain risk factors as set out under the heading "Risk Factors". An investment in Units is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment. There is no guarantee that an investment in the Fund will earn a specified rate of return, or any return, or pay a specified distribution, or any distribution, in the short or long term. Unitholders must rely on the expertise of the Investment Manager for the selection and management of the Portfolio. There is no assurance that an adequate market will exist for any securities acquired by the Fund. See "Risk Factors" for a discussion of risk factors that should be considered by prospective purchasers and their advisors in assessing the appropriateness of an investment in the Units.

The Fund does not have a fixed termination date. The Manager may, in its discretion, terminate the Fund without the approval of the Unitholders if, in its opinion, it would be in the best interests of the Unitholders. See "Termination of the Fund".

In connection with the Offering, the Fund may be considered under applicable securities laws to be a "connected issuer" of one of the Agents, Sora Group Wealth Advisors Inc. ("SGWA"), due to the ownership by Steven Repstock, Chief Compliance Officer of the Manager, of shares in the capital of SGWA. See "Relationship Between Investment Fund and Agents".

In the view of KPMG LLP, tax advisors to the Fund and the Manager, and in the opinion of Blake Cassels & Graydon LLP, counsel to the Agents, provided that the Fund qualifies as a mutual fund trust for the purposes of the Tax Act (as defined herein), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings plans. See the Canadian federal income tax considerations discussed under the heading “Income Tax Considerations” for further particulars.

National Bank Financial Inc. (the “**Lead Agent**”), CIBC World Markets Inc., RBC Dominion Securities Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc, Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Desjardins Securities Inc., Manulife Securities Incorporated, Sora Group Wealth Advisors Inc. and Wellington West Capital Markets Inc., as agents (together with the Lead Agent, the “**Agents**”), conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by Clark Wilson LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. All prospective purchasers will be entitled to withdraw their purchase on or before midnight on the second Business Day after receipt or deemed receipt of the Final Prospectus and any amendments in accordance with applicable securities laws. See “Purchasers’ Statutory Rights of Withdrawal and Rescission”.

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GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below:

- (a) “**Acceptance**” means an acceptance of the Exchange Option in respect of Eligible Securities held by a prospective purchaser by means of a book-entry deposit through CDS;
- (b) “**Agency Agreement**” means the agency agreement made between the Fund, the Investment Manager, the Manager, Sunstone and the Agents, dated as of June 18, 2010;
- (c) “**Affiliate**” has the meaning given to it in the *Business Corporations Act* (British Columbia);
- (d) “**Agents**” means the Lead Agent, CIBC World Markets Inc., RBC Dominion Securities Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc, Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp. GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Desjardins Securities Inc., Manulife Securities Incorporated, Sora Group Wealth Advisors Inc. and Wellington West Capital Markets Inc.;
- (e) “**Agents’ Commission**” means the fees payable by the Fund to the Agents in an amount equal to 5.25% of the Unit Price of the Class A Units and 2.25% of the Unit Price of the Class F Units sold by the Agents pursuant to the Offering;
- (f) “**Annual Redemption Date**” means the last Business Day of October in each year, beginning in 2011;
- (g) “**Business Day**” means any day which is not a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (h) “**Cash Subscription**” means a subscription for Units pursuant to this Offering for cash payment of \$10.00 per Unit;
- (i) “**CDS**” means CDS Clearing and Depository Services Inc. or its nominee;
- (j) “**CDS Participants**” means any broker, dealer, bank, trust company or other participant in the depository service of CDS;
- (k) “**Class A Unit**” means a Class A unit in the Fund;
- (l) “**Class A Unit Monthly Redemption Price**” means the price payable upon a Monthly Redemption of a Class A Unit, as more particularly set out in the Declaration of Trust;
- (m) “**Class F Unit**” means a Class F unit in the Fund;
- (n) “**Closing**” means the closing of this Offering;
- (o) “**Closing Date**” means on or about July 5, 2010, or such other time as may be agreed to by the Agents and the Manager on behalf of the Fund;
- (p) “**Closing Market Price of a Class A Unit**” means, on a particular date: (i) an amount equal to the closing price of the Class A Units on the principal exchange or market on which the Class A Units are quoted for trading if there was a trade on such date and the exchange or market provides

a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of Class A Units if there was trading on such date on the principal exchange or market on which the Class A Units are quoted for trading and the exchange or market provides only the highest and lowest trading prices of the Class A Units traded on such date; or (iii) the weighted average of the last bid and last asking prices if there was no trading on the date;

- (q) “**Conversion Date**” means the first Thursday (or if such Thursday is not a Business Day, the Business Day following such Thursday) that is at least two Business Days following the date on which such a Unitholder holding Class F Units surrenders such Class F Units for conversion;
- (r) “**CRA**” means the Canada Revenue Agency;
- (s) “**Declaration of Trust**” means the declaration of trust governing the Fund dated as of June 18, 2010, as it may be amended from time to time;
- (t) “**Deposit Date**” means 5:00 p.m. (Toronto time) on May 25, 2010, being the date by which Acceptances are to be received by the Exchange Agent through CDS;
- (u) “**Distribution Payment Date**” means the 15th day following the end of each month for which a distribution is declared by the Fund;
- (v) “**Eligible Securities**” means freely tradable common shares, units or other equity securities of any Exchange Issuer and that are held in the book-entry system operated by CDS;
- (w) “**Exchange Agent**” means Computershare Investor Services Inc., the exchange agent for the Exchange Option;
- (x) “**Exchange Issuer**” means a real estate investment trust, partnership, corporation or other issuer whose securities are listed on a Listing Exchange from time to time and has been identified as an Exchange Issuer by the Manager;
- (y) “**Exchange Option**” means the Fund’s offer to exchange Units for Eligible Securities upon the terms and subject to the conditions specified in this Prospectus;
- (z) “**Exchange Ratio**” means the number of Units issuable for each Eligible Security of any particular Exchange Issuer, determined by dividing the volume-weighted average trading price of such Eligible Security on the applicable Listing Exchange during the Pricing Period by the Unit Price;
- (aa) “**Final Prospectus**” means the final version of this Prospectus which will be filed by the Fund with the securities commissions or other securities regulatory authorities in the Qualifying Provinces;
- (bb) “**Fund Property**” means the assets and property of the Fund, including the Portfolio;
- (cc) “**Indicative Portfolio**” means the indicative portfolio prepared by the Investment Manager in contemplation of the creation of the Fund, which indicates the proposed allocation of the Fund Property among various sectors and categories of Portfolio Securities;

- (dd) **“Investment Management Agreement”** means the investment management agreement dated as of June 18, 2010 between the Manager, on behalf of the Fund, the Manager and the Investment Manager, as it may be amended from time to time;
- (ee) **“Investment Manager”** means the Fund’s investment manager, Morguard Financial Corp., an Ontario corporation, or, if applicable, its successor or assigns;
- (ff) **“Investment Objectives”** means the investment objectives of the Fund contained in the Declaration of Trust;
- (gg) **“Investment Restrictions”** means the investment restrictions of the Fund contained in the Declaration of Trust;
- (hh) **“Investment Strategies”** means the investment strategies of the Fund contained in the Declaration of Trust;
- (ii) **“IRC”** means the independent review committee of the Fund;
- (jj) **“Lead Agent”** means National Bank Financial Inc.;
- (kk) **“Listing Exchange”** means the stock exchange or other stock price quotation system on which an Eligible Security is listed;
- (ll) **“Management Agreement”** means the management agreement dated as of June 18, 2010 between the Manager and the Trustee, on behalf of the Fund;
- (mm) **“Management Fee”** means an annual fee payable to the Manager in an amount equal to 1.25% of the Net Asset Value, calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee, plus applicable taxes, and may be paid in cash or in Class A Units, or any combination thereof, at the option of the Manager;
- (nn) **“Manager”** means Sunstone Investment Management Inc., a British Columbia corporation;
- (oo) **“Market Price of a Class A Unit”** means, for a particular date: an amount equal to the weighted average of the trading price of the Class A Units on the principal exchange or market on which the Class A Units are quoted for trading during the 10 trading day period immediately prior to such date;
- (pp) **“Maximum Offering”** means 10,000,000 Units;
- (qq) **“Maximum Ownership Level”** means the lesser of: (i) that number which would constitute 10% of the net assets of the Fund; and (ii) that number which, if combined with other securities of such Exchange Issuer held, directly or indirectly, or over which control or direction is exercised by the Manager or Investment Manager, would result in the Manager or Investment Manager directly or indirectly holding or exercising control or direction over more than 9.9% of the outstanding securities of such Exchange Issuer;
- (rr) **“Minimum Offering”** means 2,000,000 Units;
- (ss) **“Monthly Redemption Date”** means the second last Business Day in each month (other than October, commencing in 2011);

- (tt) “**NAV per Class A Unit**” means, as of any particular time of determination, the quotient obtained by dividing that portion of the Net Asset Value attributable to the Class A Units by the number of Class A Units which are outstanding at such time;
- (uu) “**NAV per Class F Unit**” means, as of any particular time of determination, the quotient obtained by dividing that portion of the Net Asset Value attributable to the Class F Units by the number of Class F Units which are outstanding at such time;
- (vv) “**Net Asset Value**” means the net asset value of the Fund as of any particular date of determination, as more particularly set out in the Declaration of Trust;
- (ww) “**NI 81-102**” means National Instrument 81-102 – *Mutual Funds*, as it may be amended from time to time;
- (xx) “**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds*, as it may be amended from time to time;
- (yy) “**Offering**” means the offering of Units by the Fund at a price of \$10.00 per Unit, as contemplated in this Prospectus;
- (zz) “**Ordinary Resolution**” means a resolution approved by not less than 50% of the votes cast by those Unitholders who vote in person or by proxy at a duly convened meeting of Unitholders;
- (aaa) “**PIRET**” means Pure Industrial Real Estate Trust, a real estate investment trust the units of which are listed on the TSX Venture Exchange;
- (bbb) “**Plans**” means RRSPs, RESPs, registered retirement income funds, registered disability savings plans, deferred profit sharing plans and TFSAs, as those terms are defined in the Tax Act, and “**Plan**” means any of them;
- (ccc) “**Portfolio**” means the portfolio of Portfolio Securities owned by the Fund from time to time;
- (ddd) “**Portfolio Securities**” means the securities held by the Fund;
- (eee) “**Pricing Period**” means the period of five consecutive trading days ending June 8, 2010;
- (fff) “**Prime Broker**” means NBCN, Inc.;
- (ggg) “**Promoter**” means Sunstone Realty Advisors Inc., a British Columbia corporation;
- (hhh) “**Prospectus**” means this prospectus and any amendments hereto;
- (iii) “**Purchaser**” means a purchaser of Units;
- (jjj) “**Qualifying Provinces**” means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island;
- (kkk) “**Receipt**” means a receipt for the Final Prospectus issued by the British Columbia Securities Commission as principal regulator pursuant to Part 3 of Multilateral Instrument 11-102 - *Passport System*;

- (lll) “**REIT**” means a real estate investment trust;
- (mmm) “**RESPs**” means registered education savings plans as defined in the Tax Act;
- (nnn) “**RRSPs**” means registered retirement savings plans as defined in the Tax Act;
- (ooo) “**Securities Commissions**” means, collectively, the securities commissions or other securities regulatory authorities in the Qualifying Provinces;
- (ppp) “**Service Fee**” means an annual fee payable by the Manager to the Agents in an amount equal to 0.4% of the Net Asset Value attributable to the Class A Units, which fee will be payable quarterly in arrears in an amount equal to one-quarter of 0.4% of the Net Asset Value attributable to the Class A Units;
- (qqq) “**Settlement Services Agreement**” means the Custodian and Settlement Services Agreement dated as of June 18, 2010 between the Manager, on behalf of the Fund and the Prime Broker, as it may be amended from time to time;
- (rrr) “**SIFT Measures**” means the provisions of the Tax Act, including sections 104, 122, 122.1 and 197 thereof, which levies a tax on certain distributions of a SIFT trust and certain earnings of a SIFT partnership and, in such circumstances, treats the beneficiaries of a SIFT trust and members of a SIFT partnership as having received a taxable dividend from a taxable Canadian corporation in respect of such distributions from a SIFT trust or earnings from a SIFT partnership;
- (sss) “**SIFT partnership**” means a partnership as defined in section 197 of the Tax Act;
- (ttt) “**SIFT trust**” means a trust as defined in section 122.1 of the Tax Act;
- (uuu) “**Special Resolution**” means a resolution approved by not less than 75% of the votes cast by those Unitholders who vote in person or by proxy at a duly convened meeting of Unitholders;
- (vvv) “**Sunstone**” means Sunstone Realty Advisors Inc., a British Columbia corporation;
- (www) “**Tax Act**” means the *Income Tax Act (Canada)*;
- (xxx) “**TFSA**” means a tax-free savings account, which is referred to as a TFSA in the Tax Act;
- (yyy) “**TSX**” means the Toronto Stock Exchange;
- (zzz) “**Trustee**” means Sunstone Investment Services Inc., a British Columbia corporation;
- (aaaa) “**Unit Price**” means the Unit Price of a Unit, being \$10.00 per Unit;
- (bbbb) “**Unitholder**” means a beneficial owner of one or more Units; and
- (cccc) “**Units**” means Class A Units and Class F Units of the Fund.

MARKET INFORMATION

Certain information contained in this Prospectus relating to the real estate market has been obtained from publicly available sources. It is extremely difficult to obtain accurate figures due to the fragmented and confidential nature of the real estate industry. These sources make no representations as to the reliability of the information on which their analysis is based. Further, the analyses reflected in these reports are subject to a series of assumptions and projections about the drivers of value which are not disclosed in detail in the reports. These reports consider the real estate market generally and do not purport to provide advice as to any particular investment or guidance with respect to any particular investment objective. Nor do these reports purport to provide information with respect to particular sectors or the issuers within those sectors. While the Manager believes that these reports are reliable, neither the Manager, the Investment Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any information or assume any responsibility for the completeness or accuracy of the information derived from these reports.

INFORMATION REGARDING PUBLIC ISSUERS

Certain information contained in this Prospectus relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. Neither the Manager, the Investment Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

CURRENCY AND EXCHANGE RATE INFORMATION

In the Prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to “\$” are to Canadian dollars and references to “US\$” are to United States dollars.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements with respect to the Fund, including its business operations and strategy, and financial performance and condition. These statements generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe” or “continue”, or the negative thereof, or similar variations or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions to the extent that they relate to the Fund, the Investment Manager and/or the Manager. The forward-looking statements are not historical facts but reflect the current expectations regarding future results or events including results of the Fund. Although the Investment Manager and the Manager believe that the expectations reflected in such forward-looking statements are reasonable and represent their internal projections, expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Fund’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the Fund’s expectations include the risks related to the marketability of the securities of the Portfolio, equity prices, risks associated with real estate generally, and general economic and market factors, in addition to those factors discussed or referenced in the “Risk Factors” section. Refer to “Risk Factors”. These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The Fund will, in the course of its continuous disclosure, update any forward-looking statement that is contained in this Prospectus which, in the light of intervening events, may have become misleading.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. The information in this summary is qualified in its entirety by the information contained elsewhere in this Prospectus. Reference is made to the “Glossary of Terms” for the meanings of defined terms used in this summary.

The Fund

- Issuer:** Morguard Sunstone Real Estate Income Fund (the “**Fund**”) is an investment trust established under, and governed by, the laws of the Province of British Columbia. The investment manager of the Fund is Morguard Financial Corp. (the “**Investment Manager**”). The manager of the Fund is Sunstone Investment Management Inc. (the “**Manager**”). See “Overview of the Legal Structure of the Fund”.
- Offering:** The offering (the “**Offering**”) consists of two classes of redeemable units of the Fund – Class A Units and Class F Units (collectively, the “**Units**”).
- Offering size:** Minimum Offering: \$20,000,000 (2,000,000 Units).
Maximum Offering: \$100,000,000 (10,000,000 Units).
- Offering Price:** \$10.00 per Class A Unit and \$10.00 per Class F Unit (the “**Unit Price**”). Units may be subscribed for pursuant to an Exchange Option or by Cash Subscription.
- Minimum Purchase:** Class A Units - \$2,000 (200 Class A Units).
Class F Units - \$10,000 (1,000 Class F Units).
- Expected Net Proceeds:** Minimum Offering: \$18,950,000.
Maximum Offering: \$94,750,000.
- Classes of Units:** This Prospectus qualifies the issuance of two classes of Units – Class A Units and Class F Units. Class A Units are available to all investors. Class F Units are intended for investors who have or who arrange to have fee-based accounts with a registered dealer. The Class F Units will not be listed on a stock exchange. Although subscription proceeds received from investors will be tracked by the Fund on a class-by-class basis in the Fund’s records, the assets of all classes of Units of the Fund are combined into a single pool to create one portfolio for investment purposes.

The Class F Units will be convertible each week into Class A Units on the basis of their relative NAV per Unit and it is expected that the primary source of liquidity for the Class F Units will be by way of their conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX. See “Description of the Securities Distributed – Units – Classes of Units”.

Rationale for the Fund

- Investment Rationale:** The Investment Manager and the Manager believe that a diversified portfolio of publicly traded real estate securities has the potential to provide attractive, stable income with the opportunity for long-term capital appreciation. The Investment Manager and the Manager also believe that having experience through their affiliates in the acquisition, ownership and operation of real estate properties

provides additional insight into potential investment opportunities and will improve their ability to establish an investment portfolio with enhanced yields and diminished risk.

Real estate has historically been a core investment holding for many wealthy families and pension funds. However, it is difficult for most investors to invest directly in real estate on a scale that properly diversifies the risk geographically and across a variety of real estate sectors. For these reasons the Manager and Investment Manager believe that by investing in a diversified portfolio of publicly traded real estate securities, which is actively managed by real estate professionals, investors can benefit from the stable cash flows and opportunity for long-term capital appreciation which can be available through investments in the real estate sector.

The Investment Manager and the Manager believe that the current economic environment provides an excellent time to invest in real estate and real estate securities. North American economies are recovering, including many real estate sectors. In many instances, the investment yield generated by real estate properties is currently higher than the cost to borrow money and so there are many opportunities for real estate companies to make accretive acquisitions which could serve to grow the cash flow distributions provided by them to investors. The Investment Manager will seek to achieve the Fund's Investment Objectives by focusing on real estate investment trusts ("REITs") and real estate operating companies which have strong, well located cash flowing properties and experienced management teams who have successfully managed through previous investment cycles, and which are responsibly financed.

The principals of the Manager and the Investment Manager are seasoned real estate investors, owners and operators with significant investment and operational experience in both the public and private real estate markets. They believe that their backgrounds as professional real estate operators provides them with additional insight with respect to the objectives and strategies of the Fund and, in the case of the Investment Manager, in selecting and overseeing the investments chosen for the Fund. See "Rationale of the Fund".

Investment Objectives:

The Fund was created to provide Unitholders with the opportunity for:

- (a) monthly distributions; and
- (b) long-term capital appreciation,

through investment in an actively managed, diversified portfolio (the "**Portfolio**") of publicly traded real estate securities which is actively managed by real estate professionals. The Fund will focus on the publicly traded securities of Canadian and United States REITs and real estate operating companies and the companies that provide services to them and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers (the "**Portfolio Securities**").

Distributions are initially targeted to be 6.5% per annum on the Unit Price of \$10.00 per Unit (\$0.05417 per Unit per month or \$0.65 per Unit per annum). After July 31, 2011, the Fund will not have a fixed monthly distribution amount. The amount of monthly distributions will be based on the Manager's assessment of the anticipated cash flow and anticipated expenses of the Fund from time to time. See "Investment Objectives".

Investment Strategies:

The net proceeds of the Offering will be invested in an actively managed, diversified portfolio of publicly traded real estate securities of Canadian and

United States REITs and real estate operating companies and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers. While the initial focus will be on the significant opportunities in the Canadian and United States markets, the Investment Manager will also identify and consider investment opportunities outside of North America. Real estate is a highly localized business in that each property is affected by the economic condition of its tenants and the strength of the industries that each of those tenants represents. Successful management of the Fund therefore will depend upon identifying trends in the overall economy and determining which industries, regions, and real estate sectors will benefit or suffer under those circumstances. The Investment Manager will focus on analysis of the Portfolio, sustainability and quality of cash flow, prudent use of debt, responsible payout policies, the quality of management and opportunities to grow the cash flow base.

Morguard Financial Corp., the Investment Manager, is part of a large group of companies that manage over \$9 billion in real estate across North America and over \$100 million in real estate securities, including the CIBC Canadian Real Estate Mutual Fund (the “**Mutual Fund**”), the Morguard Real Estate Equities Fund, and two balanced pension fund mandates. The Investment Manager believes that having internal access to property-level information in a variety of asset classes and geographic regions will enhance its ability to allocate the Fund’s assets among those sectors and regions that it believes are more likely to generate higher levels of cash flow while reducing overall risk exposure to the Fund. The allocation of the Fund’s assets will be actively managed based on the Investment Manager’s evolving view of the overall market. See “Investment Strategies – Allocation Strategy”.

Distributions:

The Fund intends to make monthly distributions to Unitholders of record on the last Business Day (as defined herein) of each month. Distributions are initially targeted to be 6.5% per annum on the Unit Price of \$10.00 per Unit (\$0.05417 per Unit per month or \$0.65 per Unit per annum). The first distribution will be payable to Unitholders of record on July 30, 2010. The first distribution will be pro rated to reflect the period from the Closing Date to July 31, 2010. Beginning in 2011, the amount of monthly distributions will be based on the Manager’s assessment of the anticipated cash flow and anticipated expenses of the Fund from time to time. Distributions will be paid within 15 days following the end of each month for which a distribution is declared (the “**Distribution Payment Date**”). Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, assuming that the Fund uses leverage in an amount equal to 15% of the Net Asset Value, the Portfolio would be required to generate a total return of approximately 7.9% inclusive of dividends and other income in order to deliver its initial targeted distribution on the Units. If the yield on the Portfolio is not sufficient to fund the distributions in their entirety, the Fund may sell securities to pay the distribution and accordingly, the Net Asset Value will be reduced. There is no assurance that there will be a distribution in any month or months. The Fund may also make additional distributions in excess of monthly distributions during the year, as the Manager may determine. After July 31, 2011, the Fund will not have a fixed monthly distribution amount. See “Distribution Policy”.

It is expected that cash distributions over the life of the Fund will be derived primarily from distributions, dividends and interest paid on the Portfolio Securities within the Portfolio, net realized capital gains from the sale of Portfolio Securities from time to time and, in the discretion of the Manager, where these other sources are insufficient, returning capital from the sale of Portfolio

Securities. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and accordingly the Net Asset Value would be reduced. See “Distribution Policy”. **The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

If the Fund’s net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (in cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the *Income Tax Act* (Canada) (the “**Tax Act**”) (after taking into account all available deductions, credits and refunds). See the Canadian federal income tax considerations discussed under the heading “Income Tax Considerations”.

Redemption:

Units may be redeemed on an annual basis on the last Business Day of October in each year, commencing in 2011 (each such day being an “**Annual Redemption Date**”), subject to the Manager’s right to suspend redemptions in certain circumstances (the “**Annual Redemption**”). The Annual Redemption right must be exercised by the Unitholder causing written notice of such redemption to be given to the Manager through a CDS Participant at least 20 Business Days prior to an Annual Redemption Date. Unitholders whose Units are redeemed pursuant to the Annual Redemption Right will receive a redemption price in an amount equal to the NAV per Class A Unit or NAV per Class F Unit, as applicable, (less any costs and expenses associated with the redemption) within 10 Business Days of the Annual Redemption Date. The NAV per Class A Unit and NAV per Class F Unit will vary depending on a number of factors. See “Redemption of Units”.

Conversion of Class F Units:

Holders of Class F Units may convert their Class F Units into Class A Units. Any such Class F Units shall be converted into Class A Units as of the close of business on the first Thursday (or if such Thursday is not a Business Day, the Business Day following such Thursday) that is at least two Business Days following the date on which such Class F Units were surrendered for conversion (the “**Conversion Date**”). For each Class F Unit so converted, a holder will receive a number of Class A Units equal to the NAV per Class F Unit as of the Conversion Date divided by the NAV per Class A Unit as of such date. No fractional Class A Units will be issued on a conversion of Class F Units, the number of Class A Units to be issued will be rounded down to the nearest whole Class A Unit. See “Description of the Securities Distributed – Units – Classes of Units”.

The Canadian Public Real Estate Market:

The Canadian publicly traded real estate market is a well-established market that is widely held by both private and institutional investors. As in many other investment sectors, the prices of Canadian REITs and real estate operating companies decreased significantly during the global financial crisis. While prices have rebounded significantly, the S&P/TSX Capped Real Estate Index remains well below its peak values of 2007.

The Investment Manager expects REITs and real estate operating companies to benefit significantly from current economic growth in Canada and that even with normal market fluctuations, an investment in Canadian REITs and real estate operating companies can contribute to positive, stable returns. In the view of the

Investment Manager, investment yields offered by Canadian REITs and real estate operating companies offer attractive risk-return characteristics relative to government bonds, non-financial corporate bonds and equities.

The Canadian capital markets are evolving due to changes in Canadian tax law that are designed to eliminate by 2011, the tax preferred treatment previously available to income trusts other than certain REITs. The Investment Manager believes that as a result, the Canadian REIT sector will attract further interest among investors seeking tax preferred investment yields. See “Overview of the Sectors that the Fund Invests In – The Canadian Public Real Estate Market”.

The United States Public Real Estate Market:

Along with the overall economy, the United States real estate investment market experienced a dramatic decline. The prices of publicly traded real estate securities reached their peak in 2007, fuelled by highly available and inexpensive debt and optimistic assumptions regarding future income growth. The recent economic downturn has been more significant in the United States than in Canada, and has resulted in an underperformance in that market and, as such, the Investment Manager believes that the current market presents an attractive investment opportunity. In 2009, the United States public real estate market, as represented by the MSCI US REIT Index, generated a 28.6% return (11.0% in Canadian Dollar terms), compared with the 46.9% return in Canada, as represented by the S&P/TSX Capped Real Estate Index.

The United States public real estate market is very mature and offers a wide range of investment opportunities. The Investment Manager believes that the larger size and longer history of the United States public real estate market offers a great depth of opportunity, both in short term strategic positioning and in long term value creation strategies. While they have rebounded significantly, United States REIT prices, as reflected by the MSCI US REIT Index, are still below their peak. With a strengthening economy, the Investment Manager expects that occupancy and rental rates will increase, which will lead to a recovery in investment fundamentals and the prices of the underlying real estate properties. See “Overview of the Sectors that the Fund Invests In – United States Public Real Estate Market”.

The Global Public Real Estate Market:

According to a UBS research report published in June, 2009, during the last decade, the market capitalization of the global listed real estate market has grown to over US\$1.2 trillion, which is approximately 6% of the total global real estate market, which is estimated to have a value of over US\$19.4 trillion. Increasingly, countries are enacting laws which allow ownership of real estate in a REIT structure, providing an opportunity for real estate entities that distribute the majority of their income to investors to obtain tax relief. The Investment Manager believes that this will lead to greater concentrations of real estate ownership in publicly-listed REITs and real estate operating companies in the global market, creating investment opportunities.

The FTSE EPRA/NAREIT Developed (Global) Index, which consists of the largest and most heavily traded real estate stocks in Asia, Europe and North America, posted a return of 32.3% in 2009. Some companies trade at discounts to the estimated net asset value of their underlying holdings, while others trade at a premium to net asset value. Finding value is the foundation of active portfolio management, which the Investment Manager believes is the best way to invest in real estate markets globally. See “Overview of the Sectors that the Fund Invests In – The Global Public Real Estate Market”.

Fund Management

The Manager will provide administrative and management services to the Fund.

The Manager is owned by Sunstone Realty Advisors Inc. (“**Sunstone**”) and is a member of the Sunstone group. Sunstone is a diversified Vancouver-based real estate investment, development and management company. The principals of the Manager, Darren Latoski and Steve Evans, are co-founders, directors and senior officers of Sunstone and collectively have 40 years of experience in the acquisition, financing, ownership, operation and management of real estate, both directly and through investment structures such as limited partnerships, public and private REITs, debentures and mortgages. Since 2003, Sunstone has, through investment structures such as limited partnerships, public and private REITs, debentures and mortgages, raised over \$280 million in private and public equity and acquired, managed and/or developed over \$600 million in commercial, residential and office properties in Canada and the United States. Messrs Latoski and Evans established Pure Industrial Real Estate Trust (“**PIRET**”) in 2007 and are two of PIRET's trustees. Since 2007, PIRET has raised over \$75 million in equity and acquired over \$164 million in industrial properties in Canada. The Manager's extensive real estate experience furthers the Fund's objective of having seasoned real estate professionals involved in the management of the Fund. See “Organization and Management Details of the Fund - The Manager”.

Investment Management:

The Manager has retained the Investment Manager to provide investment management services to the Fund. The Investment Manager is an indirect wholly-owned subsidiary of Morguard Corporation (“**Morguard**”) (TSX: MRC). The Morguard group, through Morguard Investments Limited has been providing real estate investment and advisory services to Canada's pension funds and institutional investors since 1975. Morguard is regarded as one of Canada's most prominent real estate advisors, owning and managing approximately \$9.0 billion in assets comprising of more than 45 million square feet of high-quality commercial properties and 12,600 apartment units and employing over 1,250 employees in Canada and the southeastern United States. Morguard focuses on three primary businesses: real estate services, real property investment and real estate investment vehicles. In providing real estate services Morguard serves major institutional clients and private investors by providing a full range of services including portfolio management, acquisitions, development, asset management, property management and research and valuation services. Its real property investments are a diversified portfolio of retail, office, industrial and multi-unit residential properties located in major cities across Canada and the southeastern United States. Finally, Morguard's real estate investment vehicles include Morguard REIT, a publicly traded, closed-end trust that offers investors the opportunity to participate in a portfolio of office, retail and mixed-use Canadian real estate assets, and a family of private core and non-core specialty pooled vehicles that allow investors to participate in real estate equity and direct investments with portfolio and geographic diversification.

The Investment Manager currently manages over \$100 million in both debt and equity of REITs and real estate operating companies. As part of the Morguard fully integrated real estate group, the Investment Manager benefits from the depth and scope of Morguard's real estate market intelligence and expertise, providing the Investment Manager with insight into the properties, management teams, and the regional dynamics at play in North American markets. See “Organization and Management Details of the Fund - The Investment Manager”.

Termination of the Fund:

The Fund does not have a fixed termination date. The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund.

Upon termination, the Fund will distribute to Unitholders, *pro rata*, their portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. See “Termination of the Fund”.

Currency Hedging:

The Portfolio will normally have a significant exposure to non-Canadian dollar denominated securities. Initially, not less than 90% of the value of the Fund’s securities denominated in foreign currencies will be hedged back into Canadian dollars, provided that the Investment Manager will have discretion from time to time to reduce such limit. The distributions on the Portfolio Securities held by the Fund will not be hedged. See “Investment Strategies – Currency Hedging”.

Leverage:

The Fund will enter into a prime brokerage facility with NBCN Inc., a wholly owned subsidiary of National Bank, after the closing of the Offering (the “**Closing**”) which will permit the Fund to borrow funds from time to time in such amount as the Manager determines appropriate, provided that the maximum principal amount available pursuant to such facility shall not exceed 25% of the Net Asset Value, determined at the time of borrowing. To the extent that the aggregate principal amount of all borrowings under such facility exceeds 25% of the Net Asset Value at any time, the Manager will sell securities of the Portfolio and use the proceeds thereof, or take other commercially reasonable measures, to reduce the aggregate principal amount of such borrowings to an amount that does not exceed 25% of the Net Asset Value. See “Investment Strategies – Use of Leverage.”

Exchange Option:

Prospective purchasers may subscribe for Units by way of Cash Subscription or by exchanging freely tradable securities of Exchange Issuers (the “**Eligible Securities**”) for Units of the Fund (the “**Exchange Option**”). The maximum number of Eligible Securities of any particular Exchange Issuer (as defined herein) that the Fund may acquire pursuant to the Exchange Option (the “**Maximum Ownership Level**”) is the lesser of: (i) that number which would constitute 10% of the net assets of the Fund; and (ii) that number which, if combined with other securities of such Exchange Issuer held, directly or indirectly, or over which control or direction is exercised by the Manager or Investment Manager, would result in the Manager or Investment Manager directly or indirectly holding or exercising control or direction over more than 9.9% of the outstanding securities of such Exchange Issuer. Pursuant to the Investment Restrictions (as herein defined), the Fund will also be limited to acquiring (i) such number of Eligible Securities of any particular Exchange Issuer which, together with other securities of such Exchange Issuer held by the Fund, have a fair market value that constitutes not more than 9.9% of the equity value of such Exchange Issuer as calculated pursuant to the SIFT Measures; and (ii) such number of Eligible Securities that are “Canadian real, immovable or resource property” which, together with other property that is “Canadian real, immovable or resource property” held by the Fund, have a total fair market value that constitutes not more than 45% of the equity value of the Fund as calculated pursuant to the SIFT Measures. **The Exchange Option does not constitute, should not be construed as, and is not intended to be, a take-over bid for any Exchange Issuer.** See “Purchases of Units”.

Prospective purchasers holding Eligible Securities of any of the Exchange Issuers may tender their holdings in exchange for Units at the applicable Exchange Ratio (as defined herein), subject to the Fund not exceeding the Maximum Ownership Level for the Eligible Securities of any particular Exchange Issuer and certain other conditions. In order to use an Exchange Option, a prospective purchaser of Units is required to deposit the Eligible Securities with Computershare Investors Services Inc. (the “**Exchange Agent**”)

through CDS Clearing and Depository Services Inc. (“CDS”) and ensure that they are received by the Exchange Agent on or before 5:00 p.m. (Toronto time) on May 25, 2010 (the “**Deposit Date**”). **Certain CDS Participants may require such deposits to be made at an earlier time. Prospective purchasers are advised to contact their broker or advisor for details of their procedures and deadlines.** See “Purchases of Units - Procedure”.

Prospective purchasers under the Exchange Option are entitled to withdraw or rescind their purchase by providing a written notice of withdrawal or rescission to such prospective purchaser’s CDS Participant who effected the deposit of the Eligible Securities. Any such notice of rescission must specify the Eligible Securities of each Exchange Issuer to be so rescinded and the name of the prospective purchaser. To be effective, the notice must be received by the CDS Participant on or before the later of (i) midnight on the second Business Day after receipt or deemed receipt of the Final Prospectus and (ii) the close of business (Toronto time) on the second Business Day after the date on which the press release announcing the Exchange Ratios is issued.

Determination of Exchange Ratios:

The number of Units issuable for the Eligible Securities of each Exchange Issuer (the “**Exchange Ratio**”) will be determined by dividing the volume-weighted average trading price of such Eligible Securities on the applicable Listing Exchange during the period of five consecutive trading days ending June 8, 2010 (the “**Pricing Period**”) by the Unit Price. The Fund will issue a press release as soon as practicable after the close of business on June 8, 2010 announcing for each of the Eligible Securities the name of the Exchange Issuer, the weighted average trading price of the Eligible Securities during the Pricing Period and the Exchange Ratios for the Eligible Securities of each Exchange Issuer. If the Receipt has not been issued for this Prospectus by June 8, 2010, the information set out in such press release shall also be included in this Prospectus. See “Purchases of Units – Determination of Exchange Ratios”.

Income Tax Matters:

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for purposes of the Tax Act for a taxation year, including net realized taxable capital gains, paid or payable by the Fund to the Unitholder in the taxation year. To the extent that amounts of taxable capital gains realized by the Fund are paid or payable and are designated as taxable capital gains, those amounts will be treated as taxable capital gains realized by the Unitholder. Upon the disposition by a Unitholder of a Unit held as capital property, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before the disposition. The Fund will generally be required to pay foreign taxes on certain of its foreign source income. To the extent such foreign taxes do not exceed 15% of the amount of the Fund’s net income from related foreign investments, a taxable Unitholder should generally be entitled to foreign tax credits in respect of such taxes paid by the Fund on the Unitholder’s share of the foreign source income of the Fund designated in respect of the Unitholder, under and subject to the general foreign tax credit rules set out in the Tax Act and depending upon other foreign source income or losses and foreign taxes paid by the Unitholder. Distributions by the Fund to a Unitholder in excess of a Unitholder’s share of the net income and the net realized capital gains of the Fund for a taxation year will generally not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that negative

amount and the adjusted cost base of the Unit to the Unitholder will be increased by the amount of such deemed capital gain.

A purchaser who disposes of an Eligible Security held as capital property pursuant to the Exchange Option will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Eligible Securities takes place, to the extent that the proceeds of disposition for such Eligible Securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the purchaser of such Eligible Securities. For this purpose, the proceeds of disposition to the purchaser will equal the aggregate of the fair market value of the Units received pursuant to the Exchange Option and the amount of any cash received in lieu of fractional Units. The cost to a purchaser of Units acquired pursuant to the Exchange Option will be equal to the fair market value of such Units at the time of exchange.

Differences between Class A Units and Class F Units include the differential between the Agents' Commissions payable on the Class A Units and the Class F Units and that the Service Fee is only payable in respect of Class A Units (see "Fees and Expenses"). Accordingly, the NAV per Class A Unit and NAV per Class F Unit will differ. Further, to the extent that Unitholders holding Class A Units bear a higher proportion of the Agents' Commissions and Management Fee than Unitholders holding Class F Units, distributions to Unitholders holding Class A Units will, for income tax purposes, constitute returns of capital rather than income (including net realized taxable capital gains).

Based on the understanding of KPMG LLP, tax advisors to the Fund, and Blake Cassels & Graydon LLP, counsel to the Agents (as defined herein), of the current published administrative practice of the CRA, the conversion of Class F units into Class A units will not constitute a disposition for the purposes of the Tax Act.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in the securities offered hereby by obtaining advice from his or her tax advisor. See "Income Tax Considerations".

Eligibility for Investment:

In the view of KPMG LLP, tax advisors to the Fund, and in the opinion of Blake, Cassels & Graydon LLP, counsel to the Agents, provided that the Fund qualifies as a mutual fund trust for the purposes of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Plans (as defined herein). See "Income Tax Considerations – Status of the Fund" and "Income Tax Considerations – Taxation of Registered Plans".

Risk Factors:

These securities are speculative in nature. An investment in Units is subject to certain risks, including: (i) risks relating to the possible loss of investment; (ii) risks related to there being no guaranteed return; (iii) risks relating to management of the Portfolio; risks relating to the performance of the Exchange Issuers; (iv) risks relating to fluctuations in NAV per Class A Unit and NAV per Class F Unit; (v) risks relating to the fact that Units may trade in the market at a discount to Net Asset Value; (vi) there being no assurance that the Fund will achieve its investment objectives; (vii) risks relating to illiquidity of the Units; (viii) risks relating to global financial developments; (ix) risks relating to the Exchange Option; (x) risks relating to the Fund's use of borrowed funds; (xi) risks relating to a lack of operating history; (xii) risks relating to reliance on the principals of the Investment Manager and the Manager; (xiii) risks relating to potential conflicts of interest; (xiv) risks relating to the investment of the Fund Property in real estate securities, including: risks related to changes in economic

conditions; tenancy risks; risks related to revenue shortfalls; risks related to fluctuations in capitalization rates; risks related to financing and interest rate fluctuations; risks related to potential environmental liability; and risks related to the illiquidity of real estate investments; (xv) risks related to the Portfolio Securities, including: risks related to the composition of the Portfolio; risks related to the disposition of Portfolio Securities; risks related to the potential insolvency of an Exchange Issuer; risks related to the Portfolio Securities being preferred or debt securities; credit risks; risks related to a portion of the Portfolio being invested in foreign securities; and risks related to the illiquidity of Portfolio Securities; (xvi) risks related to the taxation of the Fund, including risks related to the Fund's tax status and other tax-related matters, including exposure to foreign taxes; and (xvii) risks relating to changes in legislation. For a more complete discussion of the risks associated with an investment in Units, see "Risk Factors".

ORGANIZATION AND MANAGEMENT OF MORGUARD SUNSTONE REAL ESTATE INCOME FUND

- The Trustee:** The Trustee is Sunstone Investment Services Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 18, 2010. The Trustee will hold the Fund Property as trustee for and on behalf of the Fund and will administer the Fund to the extent described in the Declaration of Trust. The head office of the Trustee is located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. See "Organization and Management Details of the Fund – The Trustee".
- The Investment Manager:** The Investment Manager is Morguard Financial Corp., which was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 17th, 1997. The head office of the Investment Manager is located at 1 University Avenue, Toronto, Ontario M5J 2V5. See "Organization and Management Details of the Fund – The Investment Manager".
- The Manager:** The Manager is Sunstone Investment Management Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 16, 2010. The Manager will act as the administrative manager of the Fund. The head office of the Manager is located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. See "Organization and Management Details of the Fund – The Manager".
- Promoter:** Sunstone may be considered the promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. Sunstone will not receive any benefits, directly or indirectly, from the issuance of the Units offered hereunder. As at the date hereof, neither Sunstone, the Manager, the Investment Manager nor any of their respective directors, officers or shareholders beneficially owns, controls or directs, directly or indirectly, any Units. Sunstone was incorporated pursuant to the *Business Corporations Act* (British Columbia) on August 12, 2003. Its head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. See "Organization and Management Details of the Fund - Promoter".
- Auditor:** KPMG LLP at its offices in Vancouver, British Columbia, are the auditors of the Fund. The auditors will audit the Fund's annual financial statements in accordance with Canadian generally accepted auditing standards and provide an opinion as to whether they present fairly, in all material respects, the Fund's financial position, results of operations and changes in net assets in accordance with Canadian generally accepted accounting principles.

Transfer Agent and Registrar:

Computershare Investor Services Inc., at its offices in Vancouver, British Columbia, will maintain the securities registers of the Units and register transfers of the Units. Computershare Investor Services Inc. is unrelated to the Trustee and the Manager.

Prime Broker and Custodian:

NBCN Inc. (the “**Prime Broker**”) will be appointed prime broker of the Fund. As prime broker, the Prime Broker will (i) settle transactions executed by the Fund; (ii) provide custody services for the Portfolio Securities and monies of the Fund held by the Prime Broker; and (iii) facilitate the Fund’s leverage through a margin account. The Manager reserves the right to appoint another prime broker from time to time in its sole discretion. See “Organization and Management Details of the Fund – Prime Broker”.

AGENTS

National Bank Financial Inc. (the “**Lead Agent**”), CIBC World Markets Inc., RBC Dominion Securities Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc, Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Desjardins Securities Inc., Manulife Securities Incorporated, Sora Group Wealth Advisors Inc. and Wellington West Capital Markets Inc. (collectively with the Lead Agent, the “**Agents**”), as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. See “Plan of Distribution”.

The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in parts for a period of 30 days from the Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the Closing on the same terms as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the Maximum Offering, Agents’ Commission and net proceeds to the Fund, before deducting the expenses of the Offering, estimated to be \$500,000, will be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This Prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Class A Units upon the exercise of such option.

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	1,500,000 Units	Within 30 days following the Closing Date	\$10.00 per Unit

USE OF PROCEEDS

The net proceeds from the Minimum Offering (after payment of the Agents’ Commission and the expenses of the Offering) are estimated to be approximately \$18,450,000. The net proceeds from the Maximum Offering (after payment of the Agents’ Commission and the expenses of the Offering) are estimated to be approximately \$94,250,000, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the Maximum Offering, the net proceeds to the Fund are estimated to be approximately \$108,462,500 after payment of the Agents’ Commission and the expenses of the Offering. The net proceeds of the Offering, including any net proceeds from the exercise of the Over-Allotment Option, will be used to invest in the Portfolio in accordance with the investment objectives, strategies and restrictions of the Fund described in this Prospectus. See “Use of Proceeds”.

SUMMARY OF FEES AND EXPENSES

The following lists the fees and expenses that a Unitholder may have to pay indirectly if investing in the Fund. The Fund will have to pay these fees and expenses, which will therefore reduce the value of a Unitholder’s investment in the Fund. See “Fees and Expenses”.

Agents' Commission:	The Fund will pay the Agents a fee of \$0.525 per Class A Unit (5.25% of the Unit Price of a Class A Unit) and \$0.225 per Class F Unit (2.25% of the Unit Price of a Class F Unit). See "Plan of Distribution".
Expenses of the Offering:	The Expenses of the Offering are estimated to be \$500,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' Commission, will be paid by the Fund.
Management Fee:	Under the Management Agreement, the Fund will pay to the Manager an annual fee (the " Management Fee ") in an amount equal to 1.25% of the Net Asset Value, calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee, plus applicable taxes. The Management Fee in respect of any particular month will be payable in arrears within five Business Days after the end of such month. The Manager is responsible for paying the fees payable to the Investment Manager and the Service Fee out of the Management Fee. The Management Fee may, at the option of the Manager, be paid in cash or in Class A Units, or any combination thereof. To the extent that Class A Units are issued to the Manager in payment of the Management Fee, such Class A Units will be valued at the NAV per Class A Unit, determined on the last day of the month to which the Management Fee is applicable. See "Fees and Expenses – Management Fee".
Service Fee	The Manager will pay an annual Service Fee to each full service registered dealer in respect of each Class A Unit held by clients of such dealer, in an amount equal to 0.4% of the NAV per Class A Unit. The Service Fee will be payable quarterly in an amount equal to one-quarter of 0.4% of the NAV per Class A Unit (calculated as of the last day of each calendar quarter), multiplied by the aggregate number of Class A Units held by all clients of such registered dealer as of the last day of such quarter and paid as soon as practical after the end of the applicable calendar quarter, plus any applicable taxes. No Service Fee is payable in respect of Class F Units. See "and Expenses – Service Fee".
Administrative and Operating Expenses:	The Fund will pay all of its administrative and operating expenses, which expenses will include administration fees, custodial fees, expenses relating to portfolio transactions, legal, audit and valuation fees, reporting costs, registrar and transfer agency costs, printing and mailing costs, and costs to be incurred in connection with the Fund's continuous public filing obligations. The Fund estimates that these costs, exclusive of the Management Fee, will be approximately \$250,000 per year.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Morguard Sunstone Real Estate Income Fund (the “**Fund**”) is an investment trust established under the laws of the Province of British Columbia and governed by a declaration of trust dated June 18, 2010 (the “**Declaration of Trust**”). The trustee of the Fund is Sunstone Investment Services Inc. (the “**Trustee**”), which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 18, 2010 under incorporation number BC0876488. The manager of the Fund is Sunstone Investment Management Inc. (the “**Manager**”), which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 16, 2010 under incorporation number BC0876177. The investment manager of the Fund is Morguard Financial Corp. (the “**Investment Manager**”), which was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 17th, 1997 under incorporation number 1256374. The principal office of the Fund is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The Fund is not a mutual fund under applicable securities legislation.

RATIONALE OF THE FUND

The Investment Manager and the Manager believe that a diversified portfolio of publicly traded real estate securities has the potential to provide attractive, stable income with the opportunity for long-term capital appreciation. The Investment Manager and the Manager also believe that having experience through their affiliates in the acquisition, ownership and operation of real estate properties provides additional insight into potential investment opportunities and will improve their ability to establish an investment portfolio with enhanced yields and diminished risk.

Real estate has historically been a core investment holding for many wealthy families and pension funds. However, it is difficult for most investors to invest directly in real estate on a scale that properly diversifies the risk geographically and across a variety of real estate sectors. For these reasons the Manager and Investment Manager believe that by investing in a diversified portfolio of publicly traded real estate securities, which is actively managed by real estate professionals, investors can benefit from the stable cash flows and opportunity for long-term capital appreciation which can be available through investments in the real estate sector.

The Investment Manager and the Manager believe that the current economic environment provides an excellent time to invest in real estate and real estate securities. North American economies are recovering, including many real estate sectors. In many instances, the investment yield generated by real estate properties is currently higher than the cost to borrow money and so there are many opportunities for real estate companies to make accretive acquisitions which could serve to grow the cash flow distributions provided by them to investors. The Investment Manager will seek to achieve the investment objectives by focusing on the REITs and real estate operating companies which have strong, well located cash flowing properties and experienced management teams who have successfully managed through previous investment cycles, and which are responsibly financed.

The principals of the Manager and the Investment Manager are seasoned real estate investors, owners and operators with significant investment and operational experience in both the public and private real estate markets. They believe that their backgrounds as professional real estate operators provides them with additional insight with respect to the objectives and strategies of the Fund and, in the case of the Investment Manager, in selecting and overseeing the investments chosen for the Fund.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to provide Unitholders with the opportunity for:

- (a) monthly distributions; and
- (b) long-term capital appreciation.

through investment in an actively managed, diversified portfolio of publicly traded real estate securities which is actively managed by real estate professionals. The Fund will focus on the publicly traded securities of Canadian and United States REITs and real estate operating companies and the companies that provide services to them and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers.

Distributions are initially targeted to be 6.5% per annum on the Unit Price of \$10.00 per Unit (\$0.05417 per Unit per month or \$0.65 per Unit per annum). The Fund will not have a fixed distribution amount. The amount of monthly distributions will be based on the Manager's assessment of the anticipated cash flow and anticipated expenses of the Fund from time to time.

INVESTMENT STRATEGIES

Investment Strategies

The net proceeds of the Offering will be invested in an actively managed, diversified portfolio of publicly traded real estate securities of Canadian and United States REITs and real estate operating companies and the companies that provide services to them and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers. The Fund will invest in both debt and equity securities. While the initial focus will be on the significant opportunities in the Canadian and United States markets, the Investment Manager will also identify and consider investment opportunities outside of North America. Real estate is a highly localized business in that each property is affected by the economic condition of its tenants and the strength of the industries that each of those tenants represents. Successful management of the Fund therefore will depend upon identifying trends in the overall economy and determining which industries, regions, and real estate sectors will benefit or suffer under those circumstances. This requires extensive research into macroeconomic policy as well as a detailed understanding of the targeted investments and their relative economic strengths and sensitivities. The Investment Manager will focus on analysis of the Portfolio, sustainability and quality of cash flow, prudent use of debt, responsible payout policies, the quality of management and opportunities to grow the cash flow base.

Morguard Financial Corp., the Investment Manager, believes that as the real estate market rose in the period up to the middle of 2007, many inexperienced groups purchased real estate properties using readily available and relatively inexpensive credit, with unreasonable expectations and no clear exit strategy. During the recent economic downturn, such groups have had to dispose of their properties in distress situations, significantly depressing the values of such properties and providing an opportunity for well-capitalized and experienced investors, such as public REITs and real estate operating companies, to acquire such properties at attractive prices. The Investment Manager will seek to acquire investments in well run, well capitalized, and responsibly leveraged public REITs and real estate operating companies that will be able to profit from such opportunities.

The Investment Manager is part of a large group of companies that manage over \$9 billion in real estate across North America and over \$100 million in real estate securities. The Investment Manager believes that having internal access to property-level information in a variety of asset classes and geographic

regions will enhance its ability to allocate the Fund's assets among those asset classes and regions and generate higher levels of cash flow while reducing the overall risk exposure of the Fund.

The Investment Manager

The Manager has retained the Investment Manager to provide investment management services to the Fund. The Investment Manager is an indirect wholly-owned subsidiary of Morguard Corporation (“**Morguard**”) (TSX: MRC). The Morguard group, through Morguard Investments Limited has been providing real estate investment and advisory services to Canada's pension funds and institutional investors since 1975. Morguard is regarded as one of Canada's most prominent real estate advisors, owning and managing approximately \$9.0 billion in assets comprising of more than 45 million square feet of high-quality commercial properties and 12,600 apartment units and employing over 1,250 employees in Canada and the southeastern United States. Morguard focuses on three primary businesses: real estate services, real property investment and real estate investment vehicles. In providing real estate services Morguard serves major institutional clients and private investors by providing a full range of services including portfolio management, acquisitions, development, asset management, property management and research and valuation services. Its real property investments are a diversified portfolio of retail, office, industrial and multi-unit residential properties located in major cities across Canada and the southeastern United States. Finally, Morguard's real estate investment vehicles include Morguard REIT, a publicly traded, closed-end trust that offers investors the opportunity to participate in a portfolio of office, retail and mixed-use Canadian real estate assets, and a family of private core and non-core specialty pooled vehicles that allow investors to participate in real estate equity and direct investments with portfolio and geographic diversification.

Morguard expanded into securities investment in 1997 with the creation of Morguard Financial Corp., the Investment Manager. The Investment Manager currently manages over \$100 million in both debt and equity of REITs and real estate operating companies. As part of the Morguard fully integrated real estate group, the Investment Manager benefits from the depth and scope of Morguard's real estate market intelligence and expertise, providing the Investment Manager with insight into the properties, management teams, and the regional dynamics at play in North American markets. Collectively, the Investment Manager and Morguard have a longstanding, highly competitive track record in real estate securities management. Charles Dillingham, Vice President & Portfolio Manager, has over 30 years of experience in managing real estate and income-producing investments. Mr. Dillingham was recently identified as one of the country's 50 TopGun Canadian Equity Portfolio Managers in a Brendan Wood International survey.

The Investment Manager currently manages the CIBC Canadian Real Estate Mutual Fund (the “**Mutual Fund**”) for retail investors, the Morguard Real Estate Equities Fund for institutional and accredited investors, and two balanced pension fund mandates, with assets under management aggregating to \$165 million. The Mutual Fund has been managed by the Investment Manager since its inception in 1997.

Allocation Strategy

The Investment Manager describes its current strategy for allocating the Fund's assets among different asset classes as set out below. Allocations will be actively managed based on the Investment Manager's evolving view of the overall market.

Economic Outlook: The economic outlook is a key factor in all asset management decisions. This includes but is not limited to macro-economic factors, interest rates, and political factors. All of these can influence the investment environment and must be taken into account.

Multifamily: Properties such as apartment buildings and other multiple unit residential properties tend to be a relatively stable investment. In Canada, owners of apartment properties may qualify to have their mortgages insured by the federal government through the Canada Mortgage & Housing Corporation, allowing such owners increased access to mortgage financing with much lower interest rates than owners in other real estate sectors. Thus, such owners benefit from enhanced financial leverage. This advantage is more pronounced in times of financial strain. The Investment Manager intends to overweight the multifamily sector, focusing on REITs and real estate operating companies that it believes are well capitalized and have a sustainable payout.

Retail: This sector comprises a very large portion of the real estate securities market in Canada. The Investment Manager believes that in light of changing consumer habits due to job loss and the general economic downturn, it is appropriate to focus on well-located community shopping centres providing basic needs such as groceries, drugs and hard goods. The Fund will focus on companies with a diversified tenant base, sustainable payout ratios and responsible leverage, and will be cautious regarding shopping centres whose tenant base reflects discretionary spending, such as high fashion and electronics.

Real estate services: Real estate services companies focus on the design, building, maintenance or financing of commercial real estate. Many of these companies are benefitting from increased government funding of building and infrastructure stimulus packages and an overall return to health of the real estate sector after the global economic downturn. These businesses may include but are not limited to mortgage lenders, construction, engineering, design and renovation companies. Many of these companies have consistent dividend policies, in many cases with contracts for services that have not yet been completed and paid for, which may provide a level of confidence as to the security of their future cash flows.

Office: The Investment Manager currently intends to underweight the office sector, due primarily to the increased supply of new office buildings in Calgary and Toronto putting negative pressure on occupancy rates and rents in those markets. The yields of this sector tend to be quite low, though at times there are significant opportunities that can develop. The Investment Manager will focus any investment in office market-related securities in large global financial centres.

Hotel: The global hotel industry is, in the opinion of the Investment Manager, the most economically sensitive component of the real estate sector. The short term nature of the leases, combined with the discretionary aspect of their income flow, has resulted in great volatility during the global economic downturn. The Investment Manager believes, however, that this volatility has been reflected in the present pricing of the securities of hotel entities, and that there exist opportunities for stable cash flow returns and long-term capital growth from investments in entities that have recapitalized their balance sheets. The Fund will invest in such opportunities, with a focus on the Canadian markets.

Long-Term Care: The Investment Manager believes that the demographic trends in North America are supportive of an investment in long-term care properties. This sector provides lodging and care to the elderly, whether they are reliant on government funding or are paying for private care, and includes real estate entities specializing in the needs of the healthcare industry. The Investment Manager believes that pricing in the long-term care sector has been overly negative for an extended period of time and that there are opportunities in this sector, as a result principally of cash flow stability. The Fund expects to focus on experienced and efficient management teams that are capable and proven in this low margin yet generally steady cash flow business.

Diversified: The Investment Manager believes that the diversified sector includes some of North America's best companies that are both structured and managed in a way to reduce the impact of economic downturn. These companies tend to be diversified both by sector and geography, providing lower overall risk, and will be a key portion of the Portfolio. This is the largest sector of the Canadian

real estate marketplace, due in part to very large companies such as Brookfield Asset Management having a disproportionate weight of the entire S&P/TSX Canadian Capped Real Estate Index.

Other: The Fund will be able to diversify up to a maximum of 20% of the total value of the Portfolio in securities outside of the real estate sector to provide protection against industry specific cyclicality and to seek to increase the yield potential without unduly increasing risk. Such securities will comprise income producing securities issued by entities outside the real estate sector, such as common or preferred shares and income trust units, and includes debt instruments of such entities.

Geographic Diversification: The Investment Manager will actively manage the allocation of the Portfolio among geographic regions, particularly within North America, where its parent organization owns and operates over \$9 billion in real estate, providing the Investment Manager with market-level information to allow it to respond quickly to changing trends.

Use of Leverage

The Fund will enter into a prime brokerage facility with the Prime Broker after the Closing which will permit the Fund to borrow funds from time to time in such amount as the Manager determines appropriate, provided that the maximum principal amount available pursuant to such facility shall not exceed 25% of the Net Asset Value, determined at the time of borrowing. To the extent that the aggregate principal amount of all borrowings under such facility exceeds 25% of the Net Asset Value at any time, the Manager will sell securities of the Portfolio and use the proceeds thereof, or take other commercially reasonable measures, to reduce the aggregate principal amount of such borrowings to an amount that does not exceed 25% of the Net Asset Value.

Currency Hedging

The Portfolio will normally have a significant exposure to non-Canadian dollar denominated securities. Initially, not less than 90% of the value of the Fund's securities denominated in foreign currencies will be hedged back into Canadian dollars, provided that the Investment Manager will have discretion from time to time to reduce such limit.

Indicative Portfolio

The following chart shows the Investment Manager's intended minimum and maximum allocation of the Portfolio among various investment sectors and the allocation for an Indicative Portfolio, which is illustrative of the securities that the Investment Manager would have invested in the Portfolio had the Portfolio existed on the date hereof. Securities in the Indicative Portfolio have a weighted average current cash yield of approximately 8.0%.

Sector Breakdown - % of Portfolio	Min.	Max.	Indicative Portfolio
Cash and Equivalents	1%	25%	1.67%
Canadian REITS	20%	40%	33.33%
Canadian Real Estate Securities ⁽¹⁾	10%	70%	36.98%
U.S. Real Estate Securities ⁽¹⁾	0%	40%	13.45%
International Real Estate Securities	0%	30%	0.00%
Non Real Estate	0%	20%	14.57%
			100.00%

(1) "Canadian Real Estate Securities" and "US Real Estate Securities" include securities of real estate operating companies, REITs, and the companies that provide services to real estate entities, but in the case

of securities of Canadian entities such securities will generally consist only of securities of taxable Canadian corporations and taxable SIFTs and will exclude securities of non-taxable "Canadian REITs" which are subject to a separate allocation of the Fund's portfolio.

- (2) *Since many Canadian real estate entities currently do not qualify as taxable SIFTs under Canada's SIFT Measures (due to grandfathering until December 31, 2010), entities that will not normally be considered "Canadian REITs" under the SIFT Measures (such as for example, certain real estate based income trusts, or oil and gas royalty trusts) will be included in the Fund's Canadian REIT allocation above for the calendar year 2010. After 2010, such types of entities may have either converted into taxable Canadian corporations or will no longer be grandfathered from taxation under the SIFT Measures, and will thereafter be included as part of "Canadian Real Estate Securities".*

The information contained in the above section is forward-looking and is not intended to be, nor should it be construed to be, an indication as to the future yield of the securities comprising the Portfolio. The Indicative Portfolio may or may not include issuers considered in compiling the foregoing analysis. The Portfolio's cash yield may be greater than or less than the current cash yield of the Indicative Portfolio and will change from time to time in connection with changes in the composition of the Portfolio and will be influenced by matters set out herein, including under "Risk Factors". The Investment Manager will actively manage the Portfolio to seek to meet the Fund's investment objectives and therefore the composition of the Portfolio will vary from time to time based on the Manager's assessment of market conditions and the availability of suitable Portfolio Securities, and may differ substantially from the subset of the Indicative Portfolio whose information is described above.

The top 10 holdings as set out in the Indicative Portfolio are:

- Crombie Real Estate Investment Trust
- Dundee Real Estate Investment Trust
- Killam Properties Inc.
- Artis Real Estate Investment Trust
- InnVest Real Estate Investment Trust
- LeisureWorld Inc.
- Calloway Real Estate Investment Trust
- Cominar Real Estate Investment Trust
- First Capital Realty Inc.
- RioCan Real Estate Investment Trust

OVERVIEW OF THE SECTORS THAT THE FUND INVESTS IN

The Canadian Public Real Estate Market

The Canadian publicly traded real estate market is a well-established market that is widely held by both private and institutional investors. As in many other investment sectors, the prices of Canadian REITs and real estate operating companies decreased significantly during the global financial crisis. However, REITs and real estate operating companies in Canada were not as negatively impacted as in certain other countries, such as the United States, or in Europe. As a result, the Canadian real estate market is perceived to be in better financial condition than real estate markets in other parts of the world and the Investment Manager expects the prices of publicly-listed REITs and real estate operating companies to continue to provide positive, stable returns.

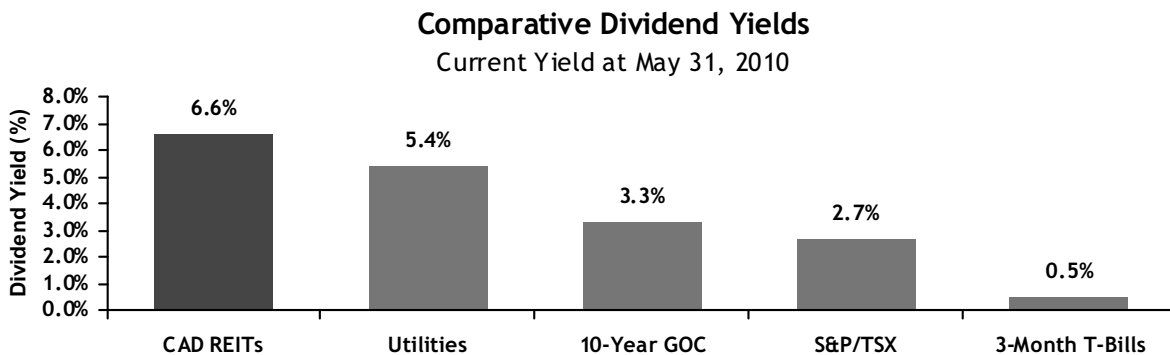
According to Statistics Canada, real gross domestic product (GDP) increased 1.2% in the fourth quarter of 2009, the largest quarterly increase since the third quarter of 2000. Real GDP increased 0.6% in December, 2009, a fourth consecutive monthly advance.

The Investment Manager expects REITs and real estate operating companies to benefit significantly from this economic growth and that even with normal market fluctuations, an investment in certain Canadian REITs and real estate operating companies may accordingly provide positive, stable returns. According to FPinfomart.ca, Canadian REITs and real estate operating companies raised over \$3 billion in new equity during 2009, as credit markets re-opened for real estate securities during the year. Further, certain REITs and real estate operating companies were able to obtain debt financing at historically low interest rates, which may allow them to produce attractive yields to investors. Much of the new financing is to pay for expansion, as existing REITs and real estate operating companies add new properties to their portfolios. Further, private real estate entities such as Northwest Healthcare Properties REIT and LeisureWorld Inc. are currently in the process of listing their shares on public markets in order to obtain access to capital, a trend which the Investment Manager expects will continue throughout 2010, providing new investment opportunities. As a result of the foregoing, the Investment Manager believes that this is an excellent time to buy publicly traded real estate securities.

Canadian REITs and real estate operating companies may provide, in the view of the Investment Manager, a potential hedge against inflation, as rental rates have historically moved with inflation over the long-term. Canadian REITs and real estate operating companies may also benefit from the positive leverage inherent in borrowing at interest rates which are lower than the annual returns which can be earned on income-producing properties.

The Investment Manager believes that investment yields offered by Canadian REITs and real estate operating companies remain competitive and offer attractive risk-return characteristics relative to government bonds, non-financial corporate bonds and equities.

The following chart illustrates the investment yield on Canadian REITs as at May 31, 2010 as compared to alternative investments.



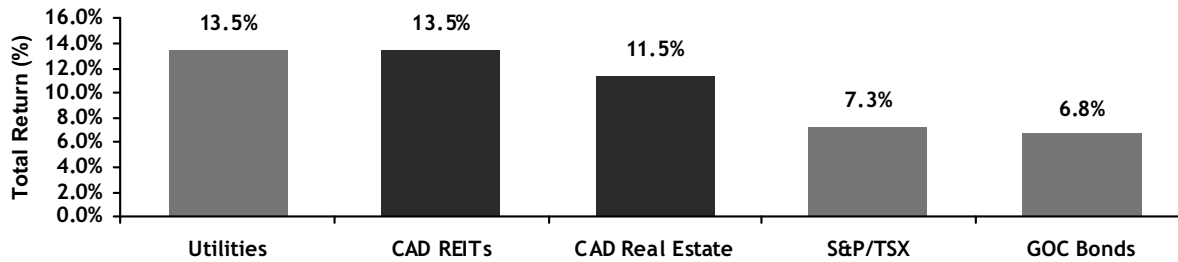
Source: Bloomberg

Note: Canadian REITs are represented by the S&P/TSX Capped REIT Index, a modified-market cap weighted index representing a subset of the broad-based composite index, in this case the REITs of the Financials GICS sector of the REIT marketplace. Utilities are represented by the S&P/TSX Capped Utilities Sector Index, a modified cap-weighted index, the constituents of which are derived from a subset stock pool of S&P/TSX Composite Index stocks. S&P/TSX is represented by the S&P/ Toronto Stock Exchange Composite Index, a capitalization-weighted index designed to measure market activity of stock listed on the TSX.

The following chart illustrates the 10-year total return on Canadian REITs as at May 31, 2010 as compared to alternative investments.

Comparison of 10 Year Average Returns

10-Year Total Return CAGR at May 31, 2010



Source: Bloomberg

Note: Returns are historical and include change in share price and reinvestment of dividends and capital gains. Canadian REITs are represented by the S&P/TSX Capped Total Return REIT Index. Canadian Real estate operating companies are represented by the S&P/TSX Capped Total Return Real Estate Index. Utilities are represented by the S&P/TSX Capped Utilities Total Return Index. S&P/TSX is represented by the S&P/Toronto Stock Exchange Composite Total Return Index. GOC Bonds are represented by the Bloomberg/EFFAS Bond Indices Canada Government All > 1 Year Total Return Index and includes Canadian government bonds with maturities of at least one year, returns are historical and include change in share price and reinvestment of dividends.

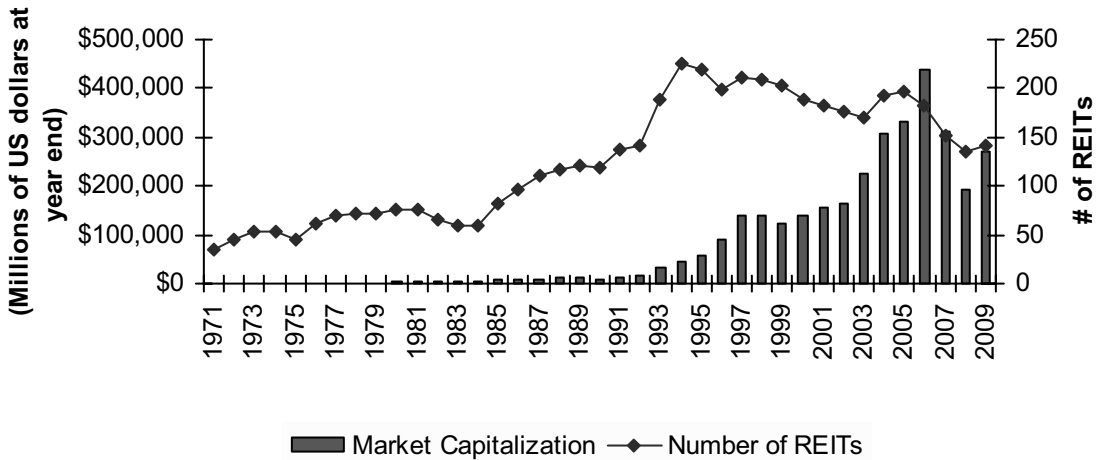
The Canadian capital markets are evolving due to changes in Canadian tax law which are designed to eliminate by 2011 the tax preferred treatment previously available to income trusts other than certain REITs. Longer term, REITs may find favour as entities which offer tax preferred distributions, as compared with other vehicles such as income trusts which do not and many of which are expected to convert to corporations by 2011. The Investment Manager believes that as a result, the Canadian REIT sector will attract further interest among investors seeking tax preferred investment yields and that as income trust investors move their investments to REITs that qualify for tax preferred treatment this should create a “scarcity” premium for such types of securities. According to Standard & Poor’s, the Canadian business income trust market has a current market capitalization of approximately \$26.2 billion as at May 31, 2010, and the Investment Manager expects that a portion of this will be moved to REITs throughout 2010.

The Investment Manager believes that all of the foregoing factors will put upward pressure on the prices of Canadian REIT and real estate operating company securities and provides a strong future for investing in Canadian real estate securities.

United States Public Real Estate Market

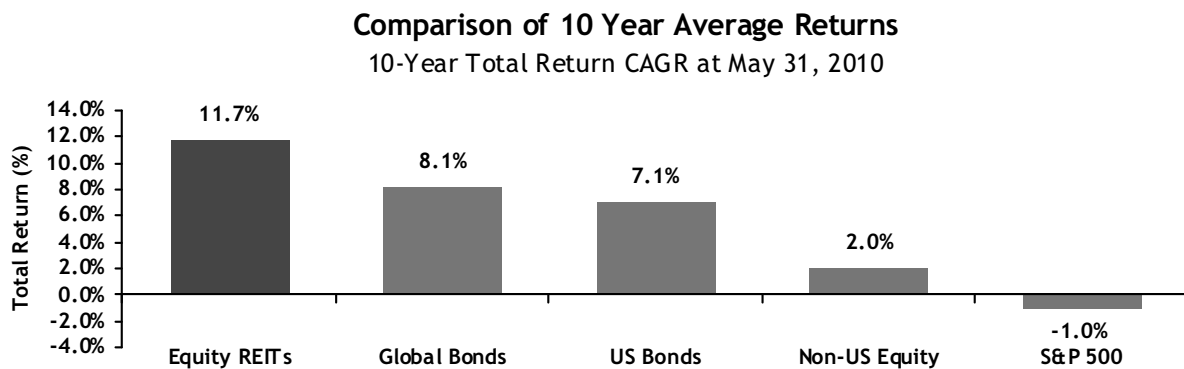
The United States public real estate market is the world’s most developed, and offers a wide range of investment opportunities in every sector, geography and risk profile. According to the National Association of Real Estate Investment Trusts, during the last decade, the market capitalization of the United States public REIT market has grown from US\$124 billion to over US\$271 billion. Much of this growth has come during a period of declining global interest rates and strong global economic growth.

The following chart shows the market capitalization of the United States REIT industry since 1971.



Source: National Association of Real Estate Investment Trusts website

The following chart compares the average 10-year total return on United States REITs to other yield-driven investment alternatives:



Source: Bloomberg

Note: Returns are historical and include change in share price and reinvestment of dividends and capital gains. Equity REITs are represented by the MSCI US REIT Total Return Index. Global Bonds are represented by the JPMorgan Global Aggregate Bond Index. US Bonds are represented by the JPMorgan US Aggregate Bond Index. Non-US Equity are represented by the MSCI AC World Daily Total Return Index. S&P 500 is represented by the S&P 500 Total Return Index.

Along with the overall economy, the United States real estate investment market experienced a dramatic decline starting in mid 2007. Following several years of double-digit annual returns, prices for real estate properties reached their peak in 2007, fuelled by highly available and inexpensive debt and optimistic assumptions regarding future income growth. The recent economic downturn has been more significant in the United States than in Canada, and has resulted in an underperformance in that market. In 2009, the United States public real estate market, as represented by the MSCI US REIT Index, generated a 28.6% return (11.0% in Canadian Dollar terms), compared with the 46.9% return in Canada, as represented by the S&P/TSX Capped Real Estate Index.

The Investment Manager believes that the larger size and longer history of the United States public real estate market offers a great depth of opportunity, both in short term strategic positioning and in long term value creation strategies. Further, the Investment Manager believes that as 2010 progresses, United States

REITs and real estate operating companies seeking above-average, stable long-term returns will increase their focus on high quality stable properties in the best markets. The Investment Manager believes that attractive investment opportunities may become available at very low pricing, allowing REITs and real estate operating companies to buy early into a U.S. economic recovery. With a strengthening economy, the Investment Manager expects that occupancy and rental rates will increase, which is expected to lead to a recovery in investment fundamentals and the prices of the underlying real estate properties.

Further, many economic forecasters have expressed concerns over accelerated inflation, and the Investment Manager believes that real estate's traditional role as a long-term inflation hedge will be increasingly valued. The Investment Manager also expects that United States real estate trends will include: (i) a high percentage of ongoing development projects, including completed properties with large vacancies, will become distressed in the coming year; (ii) loans will increasingly become due or lenders will remargin, creating numerous attractive opportunities for acquisitions; (iii) pricing will become more attractive in 2010; and (iv) as a market bottom is established, transaction volume should increase. The Investment Manager believes that overall real estate will revert to its historical role as an income generator and appreciation will remain secondary through the medium-term and that, as a result, United States REITs will focus on properties that provide the strongest income growth.

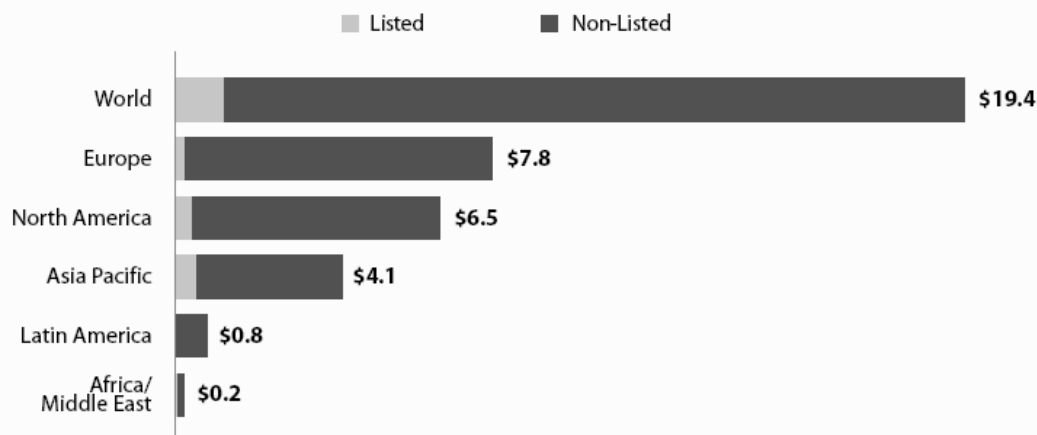
The Global Public Real Estate Market

The Investment Manager believes that investing in global real estate securities is one of the most direct and efficient ways to take advantage of regional and economic growth, as real estate companies typically derive the majority of their income from properties located in their home countries. In contrast, multinational corporations are exposed not only to their home markets, but also to the markets and currencies of every country with which they trade.

Increasingly, countries are enacting laws which allow ownership of real estate in a REIT structure, providing an opportunity for real estate entities that distribute the majority of their income to investors to obtain tax relief. The Investment Manager believes that this will lead to greater concentrations of real estate ownership in publicly-listed REITs and real estate operating companies in the global market, creating investment opportunities.

The global listed real estate market is dominated by the more mature real estate markets in the United States, Canada, the United Kingdom, Australia and Japan, which account for over 60% of the listed real estate market (Source: FTSE EPRA/NAREIT Global Real Estate Index). According to a UBS research report published in June, 2009, during the past decade, the market capitalization of the global listed real estate market has grown to over US\$1.2 trillion, or approximately 6% of the total global real estate market, which is estimated to have a value of over US\$19.4 trillion. The following chart illustrates the relative portions of each region's real estate markets which are held by publicly-listed entities:

Listed vs. Non-Listed Real Estate Assets (US\$ trillions)⁽¹⁾



(1) UBS Research, June 2009

US\$ amounts represent the aggregate of listed and non-listed real estate for each region.

The FTSE EPRA/NAREIT Developed (Global) Index, which consists of the largest and most heavily traded real estate stocks in Asia, Europe and North America, posted a return of 32.3% in 2009.

Differences in the valuations of global real estate provide opportunities to capitalize on disparities in economic and real estate cycles. Some companies trade at discounts to the estimated net asset value of their underlying holdings, while others trade at a premium to their net asset value. Finding value is the foundation of active portfolio management, which the Investment Manager believes is the best way to invest in real estate markets globally.

INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The Declaration of Trust contains investment restrictions to the effect that, on and after the initial investment of the Fund Property:

- (a) the Fund may not purchase any Portfolio Securities (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Fund's total assets would consist of securities of such issuer;
- (b) the Fund may not purchase Portfolio Securities if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of the *Securities Act* (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (c) the Fund will not make or hold any investment or conduct any activity that would result in the Fund failing to qualify as a "unit trust" or a "mutual fund trust" within the meaning of the Tax Act;
- (d) the Fund must not hold "securities" of a "subject entity", other than a "portfolio investment entity", (as defined in the SIFT Measures) if such securities have a fair market

value that is greater than 10% of the equity value in such subject entity for the purposes of the Tax Act;

- (e) the Fund must not hold “securities” of a “subject entity”, other than a “portfolio investment entity”, (as defined in the SIFT Measures) if, together with all of the securities that the Fund holds of entities affiliated with the particular subject entity, such securities have a total fair market value that is greater than 50% of the equity value of the Fund for the purposes of the Tax Act;
- (f) the Fund must not acquire any property that is a “Canadian real, immovable or resource property” for purposes of the Tax Act if at any time in the taxation year the total fair market value of such property held by the Fund is greater than 45% of the equity value of the Fund for the purposes of the Tax Act,

(in respect of paragraphs (d), (e) and (f), see “Income Tax Considerations – The Investment Strategies of the Fund and the SIFT Measures”);

- (g) the Fund will not invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in paragraph 94(1)(d) of the Tax Act, or (iii) any interest in a non-resident trust other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with non-resident trusts set out in the Notice of Ways and Means Motion to Amend the Tax Act dated March 4, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (h) the Fund will not purchase or hold any securities of an entity that would be a foreign affiliate of the Fund for purposes of the Tax Act;
- (i) the Fund will not acquire securities which represent illiquid assets (as defined by National Instrument 81-102) if, immediately after the purchase, more than 10% of the Fund’s total assets, taken at the time of acquisition, would consist of illiquid assets;
- (j) the Fund will not write call or put options;
- (k) the Fund will not invest in issuers domiciled outside of industrialized economies except that up to 10% of the net assets of the Fund may be invested in the securities of issuers domiciled in a country included in the MSCI Emerging Markets Index;
- (l) the Fund will not borrow money in excess of 25% of the Net Asset Value;
- (m) the Fund will not make loans or guarantee obligations, except that the Fund may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers’ acceptances and fixed time deposits) in accordance with the Investment Objectives;
- (n) the Fund will not sell securities short;

- (o) the Fund will not invest for the purposes of exercising control over management of the issuer of any Portfolio Securities;
- (p) the Fund will not lend Fund Property except as permitted by NI 81-102 (as if the Fund were subject to NI 81-102);
- (q) the Fund will not act as an underwriter except to the extent the Fund may be deemed to be an underwriter in connection with the sale of Portfolio Securities;
- (r) the Fund will not invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (s) the Fund’s investment in the stock of any United States corporation or trust must be in respect of stock that is regularly traded on an established securities market located in the United States;
- (t) the Fund will not own more than 5% of any class of the stock of a United States corporation or trust; and
- (u) the Fund will not invest more than 20% of the total Net Asset Value in securities outside of the real estate sector.

If a percentage restriction on investment or use of assets set forth above in paragraphs (i), (k) and (u) is adhered to at the time of the transaction, subsequent changes to the market value of the investment or Net Asset Value will not be considered a violation of the investment restrictions. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Unitholder approval is required to change the Investment Objectives or Investment Restrictions of the Fund. See “Securityholder Matters – Matters Requiring Unitholder Approval”.

FEES AND EXPENSES

The following lists the fees and expenses that a Unitholder may have to pay indirectly if investing in the Fund. The Fund will have to pay these fees and expenses, which will therefore reduce the value of a Unitholder’s investment in the Fund.

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this Prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses) which are estimated to be \$500,000 (but not to exceed 1.5% of the gross proceeds of the Offering), together with the Agents’ Commission, will be paid by the Fund from the proceeds of the Offering.

Agents’ Commission

The Fund will pay the Agents a fee of \$0.525 per Class A Unit (5.25% of the price of a Class A Unit) and \$0.225 per Class F Unit (2.25% of the price a Class F Unit) sold by the Agents.

Management Fee

Under the Management Agreement, the Fund will pay to the Manager an annual fee (the “**Management Fee**”) in an amount equal to 1.25% of the Net Asset Value, calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee, plus applicable taxes. The Management Fee in respect of any particular month will be payable in arrears within five Business Days after the end of such month. The Manager will be responsible for paying fees to the Investment Manager. The Management Fee may, at the option of the Manager, be paid in cash or in Class A Units, or any combination thereof. To the extent that Class A Units are issued to the Manager in payment of the Management Fee, such Units will be valued at the NAV per Class A Unit, determined on the last day of the month to which the Management Fee is applicable.

Service Fee

The Manager will pay an annual Service Fee to each full service registered dealer in respect of each Class A Unit held by clients of such dealer, in an amount equal to 0.4% of the NAV per Class A Unit. The Service Fee will be payable quarterly in an amount equal to one-quarter of 0.4% of the Net Asset Value per Class A Unit (calculated as of the last day of each calendar quarter), multiplied by the aggregate number of Class A Units held by all clients of such registered dealer as of the last day of such quarter and paid as soon as practical after the end of the applicable calendar quarter, plus any applicable taxes. No Service Fee is payable in respect of Class F Units. The Manager will be responsible for paying the Service Fee to the Agents.

Ongoing Expenses

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that the expenses for the Fund will include, as applicable, without limitation: all costs of portfolio transactions; fees payable to the Manager and other third party services providers; custodial fees; legal, accounting, audit and valuation fees and expenses; fees and expenses of the members of the IRC; expenses related to compliance with NI 81-107; fees and expenses relating to the voting of proxies by a third party; premiums for directors’ and officers’ insurance coverage for the directors and officers of the Manager, Investment Manager and IRC; costs of reporting to Unitholders; registrar, transfer and distribution agency costs; printing and mailing costs; listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements and investor relations; website maintenance costs; taxes; brokerage commissions; costs and expenses relating to the issue of Units; costs and expenses of preparing financial and other reports; costs and expenses arising as a result of complying with all applicable laws, regulations and policies; extraordinary expenses that the Fund may incur; and all amounts paid on account of indebtedness. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Investment Manager, the Manager, the IRC and/or any of the respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that operating expenses of the Fund, exclusive of management fees, debt service and other costs and brokerage expenses related to portfolio transactions, will be approximately \$250,000 per year.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this Prospectus shall be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services and the Fund shall pay all expenses associated with such additional services.

RISK FACTORS

The purchase of securities hereunder involves a number of risk factors. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the Fund's businesses, operating results and financial conditions could be seriously harmed and Purchasers may lose all of their investment. Additional risks and uncertainties not currently known to the Fund, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk, material or otherwise, actually occurs, the business, financial condition, liquidity, results of operations, the value of Units or price performance of the Fund, and the ability of the Fund to make distributions, could be materially adversely affected. In addition to the risk factors set forth elsewhere in this Prospectus, prospective purchasers should consider the following risks associated with a purchase of such securities:

Risks Relating to the Fund Generally

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of no distribution being paid in any period.

No Guaranteed Return

There is no guarantee that an investment in the Fund will earn any positive return in the short-term or long-term.

Portfolio Management

There is a risk that the investment strategies used by the Investment Manager in managing the Portfolio may fail to produce the intended results.

Performance of Issuers

The Net Asset Value, NAV per Class A Unit and NAV per Class F Unit will vary according to the value of the Portfolio Securities held within the Portfolio, which will depend, in part, upon the performance of the issuers of such securities. Additionally, external economic forces can affect the competitive strength and profitability of the businesses represented by the Portfolio Securities which would significantly affect the value of such securities. The value of the securities acquired by the Fund will be affected by business factors and risks that are beyond the control of the Investment Manager, the Manager or the Fund.

The value of the Units may be affected by factors such as interest rates, financial market volatility, economic cycles and economic climate, political events, government policy and taxation and regulatory change. A large number of the securities held by the Fund will be subject to regulation, and there is risk that the actions of a regulator or political intervention may influence the prices of the securities held in the Portfolio.

The amount of distributions available for payment to Unitholders will depend in part on the amount of distributions paid by the issuers of the securities held by the Fund in the Portfolio. The Fund cannot predict whether the securities of issuers held by it will trade at a discount from, a premium to, or at the net asset values of the issuers of such securities, or when or if distributions on such securities will be made.

The Fund may make investments in real estate operating companies, REITs and other entities that have low trading volumes. Accordingly, it may be difficult for the Fund to make trades in the securities of these issuers without adversely affecting the price of such securities and consequently the Net Asset Value. There can be no assurance that the Fund will be able to dispose of Portfolio Securities at prices that exceed those that would otherwise be available to retail investors or at which such securities were acquired by the Fund.

The NAV per Class A Unit and NAV per Class F Unit may not reflect the price for which such Units can actually be sold.

Trading Levels

Class A Units may trade in the market at a discount to NAV per Class A Unit, and there can be no assurance that the Units will trade at a price equal to (or greater than) the NAV per Class A Unit.

Class F Units Not Listed

The Class F Units will not be listed on a stock exchange. It is expected that the primary source of liquidity for the Class F Units will be by way of their conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX.

Prime Broker

Some or all of the Fund's assets may be held in one or more margin accounts due to the fact that the Fund will use leverage. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The Prime Broker may also lend, pledge or hypothecate the Fund's assets in such accounts, which may result in a potential loss of such assets. As a result, the Fund's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the Prime Broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at the Prime Broker to satisfy the claims of its creditors and adverse market movements while its positions cannot be traded. In addition, in such case the Prime Broker is unlikely to be able to provide leverage to the Fund, which would adversely affect the Fund's returns.

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its monthly distribution and capital appreciation objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of distributions and interest paid by the securities held in the Portfolio and the value of those securities. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of the monthly cash distributions not being paid in any period.

Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the past two years. This has been, in part, a result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and to the issuers who borrow from them. No assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. Some of these

economies may experience significantly diminished growth or a recession. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Participation in the Exchange

The proceeds realized by the Fund pursuant to the Offering may be obtained by way of deposits under the Exchange Option. Accordingly, the Portfolio may be initially exposed to the value of the securities of a limited number of Exchange Issuers. The Fund may be required to dispose of securities at prices below the prices at which they are then trading and perhaps at prices which are below what the Investment Manager believes they are worth. This may have a negative impact on Net Asset Value pending disposition of the Eligible Securities. No assurance can be given that this will not adversely and materially affect the performance of the Fund in the near term. Additionally, the price of these securities on the Closing Date may be higher or lower than the price that was used to calculate the Exchange Ratios for such securities. Notwithstanding any such change, the Exchange Ratios will not, unless otherwise disclosed, change from the date on which they are established and accordingly, if the price of an Eligible Security on the Closing Date is less than the price used to calculate the Exchange Ratio, the Fund will in effect pay more to acquire the Eligible Securities than it would if it had acquired the same security in the market on the Closing Date. The value of the Eligible Securities may also increase after the lapse of the purchaser's right of withdrawal.

Redemptions of Units

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding, the Net Asset Value and the trading volume of the Class A Units could be significantly reduced and the expenses of the Fund would be spread among fewer Units, resulting in a higher management expense ratio per Unit and potentially lower distributions per Unit.

Leverage

The Fund's use of leverage may result in losses and/or a decrease in net cash distributions to Unitholders and/or may require the Fund to sell Portfolio Securities in order to comply with the terms of any margin or other leverage facility. Such sales may be required to be done at prices which may adversely affect the value of the Portfolio and the return to the Fund. The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investment of Portfolio Securities.

In addition to the leverage incurred directly by the Fund, Unitholders will be indirectly exposed to the leverage used by the issuers of the Portfolio Securities. Fluctuations in interest rates, the insufficient availability of funds to refinance existing debt and the inability of one or more such issuers to generate sufficient income to make payments of principal and interest on their debt may require such issuer or issuers to sell some or all of their assets, which may have the effect of reducing the overall return to the Fund from its investment in Portfolio Securities of such issuer or issuers.

Operating History

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offering.

Reliance on Management

Unitholders will be dependent on the portfolio management of the Investment Manager. Investors who are not willing to rely on the portfolio management of the Investment Manager should not invest in the Units. The Investment Manager manages another fund which has similar investment objectives and investment focus to the Fund. The managers who will be primarily responsible for the management of the investments of the Fund, namely Charles Dillingham and Derek Warren, have extensive experience in managing investment portfolios of equity income securities but there is no certainty that such individuals will continue to be employees of the Investment Manager throughout the Investment Manager's term as portfolio manager of the Fund.

Unitholders will be dependent on the administrative management of the Manager. Investors who are not willing to rely on the administrative management of the Manager should not invest in the Units. Sunstone manages other real estate investment funds that own and operate portfolios of commercial and industrial real estate properties in Canada and multifamily apartment properties in the United States, and which have similar investment focus to the Fund. The principals of the Manager, namely Darren Latoski and Steve Evans, will be primarily responsible for the administrative management of the Fund and have extensive experience in managing similar funds. However, there is no certainty that such individuals will continue to be employees of the Manager throughout the Manager's term as manager of the Fund.

Potential Conflicts of Interest

The directors and officers of the Investment Manager and their affiliates and associates, including Morguard and Morguard REIT, engage in the promotion, management or investment management of other funds or trusts which invest primarily in real estate and equity income securities. The directors and officers of the Manager and their affiliates and associates, including Sunstone and Pure Industrial Real Estate Trust, engage in the investment, management, ownership and operation of real estate and the promotion, management or investment management of other funds or trusts which invest primarily in real estate and equity income securities.

Nature of Units

The Units share certain attributes common to both equity securities and debt instruments. The Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

Limitations on Non-Resident Ownership

The Declaration of Trust provides that at no time may more than 40% of the Units outstanding (calculated on a number of Units or a fair market value basis) be held by or beneficially owned, directly or indirectly, for the benefit of non-residents. The limitation on ownership of the Units by non-residents may have an adverse impact on the liquidity of the Units. In addition, the sale by non-residents of a significant number of Units at the demand of the Fund may have an adverse effect on the market price of the Units.

Risks Relating to Real Estate

The Fund will be invested primarily in the securities of issuers active in the real estate sector. The assets, earnings and securities values of issuers involved in the real estate sector are influenced by a number of different factors including economic cycles, inflation, the cost of capital available to real estate issuers, the level of short and long term interest rates, the timing of increases in supply, consumer confidence,

investor confidence in competing assets classes, demographic trends, the policies of various levels of government and the economic well-being of industries such as retail and tourism.

Real estate issuers generally are subject to certain risks related to their direct ownership of real estate. Real property investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition for other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and upon the vacancy rates of the underlying property portfolio.

There are also certain types of risks relating to the ownership of real estate, generally of a catastrophic nature, such as wars or environmental contamination, which may be either uninsurable or not insurable on an economically viable basis. In addition, environmental laws may render a real estate issuer liable for the costs of removal of certain hazardous substances and the remediation of certain hazardous locations.

Real estate ownership may also require certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges regardless of whether the property is producing any income.

Risks Relating to the Portfolio

Composition of Portfolio

The Investment Manager cannot predict what the initial composition of the Portfolio will be, and the composition of the Portfolio taken as a whole may vary widely from time to time as the Investment Manager acquires and disposes of the Portfolio Securities. The Portfolio may be concentrated by type of security, commodity, industry or geography resulting in the Portfolio being less diversified than initially anticipated.

Concentration Risk

The Fund will be invested primarily in the real estate sector. Investing in one specific sector of the public markets entails greater risk than investing in all sectors of the public markets. If a sector declines or falls out of favour, the securities values of most or all of the issuers in that sector will generally fall more quickly than the market as a whole.

Disposition of Portfolio Securities

There is no assurance that an adequate market will exist for the Portfolio Securities. The Fund cannot predict whether the Portfolio Securities held by it will trade at a discount to, a premium to, or at their respective net asset values, if applicable. If the market for a specific security is particularly illiquid, the Fund may be unable to dispose of such securities or may be unable to dispose of such securities at an acceptable price.

Insolvency Risk

Certain Portfolio Securities may be securities of issuers that are at substantial risk of becoming insolvent during the period of time in which they are included in the Portfolio. If such an issuer becomes insolvent while the Fund holds its securities the Net Asset Value would be negatively affected.

Foreign Market Exposure

The Portfolio Securities will consist in part of securities of issuers established in jurisdictions outside Canada, including the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian company. Volume and liquidity in some foreign markets may be less than in Canada and at times, volatility of price may be greater than in Canada. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. These include changes in foreign exchange control regulations, application of foreign tax legislation including confiscatory taxation and withholding taxes, changes in government, administration and economic monetary policy, appropriation, changed circumstances in dealings between nations, lack of uniform accounting and auditing standards, potential difficulties in enforcing contractual obligations and extended settlement periods. Investments in foreign markets carry the potential exposure to political upheaval, acts of terrorism and war, all of which could have a material adverse affect on the value of such securities.

Foreign Currency Risk

The Fund will normally have a significant exposure to non-Canadian dollar denominated securities. Consequently, to the extent not hedged, the Canadian dollar equivalent of the Fund's net denominated assets and distributions would be adversely affected by reductions in the value of the applicable foreign currencies relative to the Canadian dollar and would be positively affected by increases in the value of the applicable foreign currencies relative to the Canadian dollar. Not all of the Fund's foreign currency exposure and none of the distributions on the Portfolio Securities held by the Fund will be hedged.

Hedging Risk

Some or all of the value of the Fund's securities denominated in foreign currencies will be hedged back into Canadian dollars from time to time. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent that the Fund's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used.

Risks Relating to the Use of Derivatives

The Fund may use derivative instruments for hedging all or a portion of the value of the non-Canadian dollar denominated Portfolio Securities back to Canadian dollar. The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing in conventional securities. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk and counterparty risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. The Fund or other party to a derivatives transaction may not be able to obtain or close out a derivative contract when the Investment Manager believes it is desirable to do so, which may prevent the Fund from making a profit or limiting a loss. Where the Fund or other party to a derivatives transaction invests in a derivative instrument, it could lose more than the principal amount invested.

The Fund is also subject to credit risk with respect to the amount which the Fund expects to receive from counterparties to derivative instruments entered into by the Fund. If a counterparty become bankrupt or otherwise fails to perform its obligations under a derivative instrument, the Net Asset Value of the Fund may decline.

Preferred and Debt Securities

The Portfolio Securities may include preferred and debt securities which involve risks of default or deferral on dividends, interest and principal and price changes due to factors such as general economic conditions and an issuer's creditworthiness. Preferred securities are typically subordinated to bonds and other debt instruments in a company's capital structure and, therefore, will be subject to greater credit risk than those debt instruments. In addition, the Portfolio Securities may include preferred and debt securities which may entail greater potential price volatility and may be less liquid than higher rated instruments. They may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities.

Generally, holders of preferred shares (such as the Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred shareholders may be granted voting rights which may entitle such holders to elect a number of directors to the issuer's board. Generally, once all the arrears have been paid, the preferred shareholders no longer have voting rights. In the case of certain hybrid-preferred securities, holders generally have no voting rights except: (i) if the issuer fails to pay dividends for a specified period of time; or (ii) if a declaration of default occurs and is continuing. In such an event, rights of preferred security holders generally would include the right to appoint and authorize a trustee to enforce the trust or special purpose entity's rights as a creditor under the agreement with its operating company.

Credit Risk

Credit risk can have a negative impact on the value of a debt security such as a bond or other fixed income security. It includes:

Default risk, which is the risk that the issuer of the debt will not be able to pay interest or repay the debt when it is due. Generally, the greater the risk of default, the lower the quality of the debt security.

Credit spread risk, which is the risk that the difference in interest rates (called "credit spread") between the issuer's bond and a bond considered to have little associated risk (such as a Treasury bill) will increase. An increase in credit spread decreases the value of a debt security.

Downgrade risk, which is the risk that a specialized credit rating agency will reduce the credit rating of an issuer's securities. A downgrade in credit rating decreases the value of a debt security.

Collateral risk, which is the risk that it will be difficult to sell the assets the issuer has given as collateral for the debt or that the assets may be deficient. This difficulty could cause a significant decrease in the value of a debt security.

Liquidity Risk

Some companies are not well-known, have few shares outstanding or can be significantly affected by political and economic events. Securities issued by these companies may be difficult to buy or sell and the value of the Fund may rise or fall substantially if it buys these securities. There are restrictions on the percentage of the Fund's investments which may be invested in illiquid securities. Small capitalization companies generally are not as liquid as larger capitalization companies, and can be made difficult to buy and sell, with larger bid and ask spreads and more price volatility.

Taxation of the Fund

Canadian Tax Risk Factors Relating to the Fund's Tax Status

If the Fund does not qualify or ceases to qualify as a “mutual fund trust” under the Tax Act, adverse consequences may arise including that: (i) the Fund may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the Fund would be reduced and Unitholders may otherwise be adversely affected), and, (ii) the Units may not be or may cease to be qualified investments for Plans (with the result that a Plan or its annuitants, holders or beneficiaries may become subject to additional tax or penalties or may be otherwise adversely affected including, in the case of an RESP, the registration of such Plan may be revoked). In addition, in the case of a Plan that is a TFSA, where the TFSA acquires or holds a Unit that is a “prohibited investment” (as defined in the Tax Act), adverse tax consequences will generally arise to the holder of the TFSA, including that the holder may become subject to a penalty tax.

The SIFT Measures apply to a SIFT trust which includes a trust that, among other conditions, holds “non-portfolio property”. Certain distributions attributable to a SIFT trust’s “non-portfolio earnings” from, or from the disposition of, “non-portfolio property” (the “non-deductible distributions amount”) will not be deductible in computing the SIFT trust’s income and will be subject to SIFT tax on such distributions. Also, the unitholders of a SIFT trust will be taxable on the non-deductible distributions amount as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The Fund should not be a SIFT trust for the purposes of the SIFT Measures because the Fund should not hold “non-portfolio property”, as defined in the SIFT Measures, based on its Investment Restrictions, as described under the heading “Investment Restrictions”. If the Fund fails to follow the Investment Restrictions or if the SIFT Measures were to otherwise apply to the Fund, they may have an adverse impact on the Fund and the Unitholders, including generally reducing the cash available for distribution to Unitholders (due to the imposition of tax on the non-deductible distribution amount).

There can be no assurances that Canadian federal income tax laws respecting the treatment of mutual fund trusts and SIFTs will not be changed, or that administrative policies and assessing practices of CRA will not develop, in a manner which adversely affects either the Fund or the Unitholders.

Other Tax Related Risk Factors

The tax treatment of the Fund’s income and gains from holding and disposing of investments of the Fund has a material effect on the advisability of an investment in the Units (see the Canadian federal income tax considerations discussed under the heading “Income Tax Considerations”).

The Declaration of Trust provides that the Fund shall, subject to the Trustee resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate the Fund’s non-refundable liability for tax under Part I of the Tax Act. Where the amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available to the Fund for distribution in the year, such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income notwithstanding that they do not directly receive a cash distribution.

It is possible that, if certain tax proposals released on October 31, 2003 are enacted in the form currently proposed, the deduction of losses of the Fund in a particular taxation year could be limited. Under these tax proposals, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be

expected to carry on, the business or has held, and can reasonably be expected to hold, the property. Profit for this purpose will not include net capital gains. If the deduction of losses of the Fund was limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Unitholders. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the tax proposals of October 31, 2003 would be released for comment. Such alternative proposal has not yet been released.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. KPMG LLP and Blake, Cassels & Graydon LLP are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain securities in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

Certain income trusts, the securities of which are included in the Portfolio, may be or become SIFT trusts (as herein defined) or SIFT partnerships (as herein defined). In such event, the after-tax returns realized by Unitholders may be reduced to the extent that the Fund receives distributions of income or capital gains from such SIFT trusts or is allocated such amounts from such SIFT partnerships. In addition, it is possible that SIFT trusts or SIFT partnerships may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund.

Foreign Tax Related Risk Factors

The Fund intends to invest in global real estate securities that will be comprised in part of securities of issuers established in jurisdictions outside of Canada or that otherwise hold interests in real property located in jurisdictions outside of Canada. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital ("Tax Treaties") to require the reporting of and / or to impose tax on income or gains derived from securities that, generally, derive their value directly or indirectly principally from real or immovable property situated in such countries, even where such income or gains are realized by or attributable to persons who are not resident in such countries. While the Fund intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global real estate securities will generally subject the Fund and its Unitholders to foreign taxes on income and / or gains derived therefrom (and may result in potential requirements to file tax or information returns in certain countries in which the Fund invests). Any foreign taxes incurred will generally reduce the Fund's cash available for distribution to Unitholders. Foreign taxes incurred may generally be partly or wholly creditable by Unitholders in Canada, where appropriate designations are filed by the Fund, or partly or wholly deductible to the Fund against its taxable income, depending on the circumstances. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund, and the availability of foreign tax deductions to the Fund, are subject to the detailed rules of the Tax Act and a Unitholder's particular circumstances, including other foreign source income or losses received and foreign taxes paid by the Unitholder. See "Income Tax Considerations - Taxation of the Fund".

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the businesses of issuers of Portfolio Securities and the treatment of investment funds under the Tax Act will

not be changed in a manner which adversely affects the distributions received by the Fund and the Unitholders and/or the value of the Units or the securities in which the Fund invests.

Investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units offered herein.

For all of the aforesaid reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

DISTRIBUTION POLICY

The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month. Distributions are initially targeted to be 6.5% per annum on the Unit Price of \$10.00 per Unit (\$0.05417 per Unit per month or \$0.65 per Unit per annum). The first distribution will be payable to Unitholders of record on July 30, 2010. The first distribution will be pro rated to reflect the period from the Closing Date to July 31, 2010. Beginning in 2011, the amount of monthly distributions will be based on the Manager's assessment of the anticipated cash flow and anticipated expenses of the Fund from time to time. Distributions will be paid within 15 days following the end of each month for which a distribution is declared (the "**Distribution Payment Date**"). Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, assuming that the Fund uses leverage in an amount equal to 15% of the Net Asset Value, the Portfolio would be required to generate a total return of approximately 7.9% inclusive of dividends and other income in order to deliver its initial targeted distribution on the Units. If the yield on the Portfolio is not sufficient to fund the distributions in their entirety, the Fund may sell securities to pay the distribution and accordingly, Net Asset Value will be reduced. There is no assurance that there will be a distribution in any month or months. The Fund may also make additional distributions in excess of monthly distributions during the year, as the Manager may determine. The Fund will not have a fixed monthly distribution amount.

It is expected that cash distributions over the life of the Fund will be derived primarily from distributions, dividends and interest paid on the Portfolio Securities, net realized capital gains from the sale of Portfolio Securities from time to time and, in the discretion of the Manager, where these other sources are insufficient, returning capital from the sale of Portfolio Securities. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and accordingly the Net Asset Value would be reduced. **The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

Differences between Class A Units and Class F Units include the differential between the Agents' Commissions payable on the Class A Units and the Class F Units and that the Service Fee is only payable in respect of Class A Units. Accordingly, the NAV per Class A Unit and NAV per Class F Unit will differ. Further, to the extent that Unitholders holding Class A Units bear a higher proportion of the Agents' Commissions and Management Fee than Unitholders holding Class F Units, distributions to Unitholders holding Class A Units will, for income tax purposes, constitute returns of capital rather than income (including net realized taxable capital gains).

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (in cash or Units) in such year to Unitholders as is necessary to

ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). See the Canadian federal income tax considerations discussed under the heading “Income Tax Considerations”.

PURCHASES OF UNITS

Purchasing Units

Prospective purchasers may acquire Units either by (a) an exchange of freely tradable Eligible Securities or (b) a cash payment of \$10.00 per Unit. **Purchasers acquiring Class A Units are required to acquire a minimum of 200 Class A Units. Purchasers acquiring Class F Units are required to acquire a minimum of 1,000 Class F Units.**

Details of the Exchange

The maximum number of Eligible Securities of any one Exchange Issuer which the Fund may acquire pursuant to the Exchange Option is the lesser of: (i) that number which would constitute 10% of the net assets of the Fund; and (ii) that number which, if combined with other securities of such Exchange Issuer held, directly or indirectly, or over which control or direction is exercised by the Manager or Investment Manager, would result in the Manager or Investment Manager directly or indirectly holding or exercising control or direction over more than 9.9% of the outstanding securities of such Exchange Issuer. Pursuant to the Investment Restrictions, the Fund will also be limited to acquiring (i) such number of Eligible Securities of any particular Exchange Issuer which, together with other securities of such Exchange Issuer held by the Fund, have a fair market value that constitutes not more than 9.9% of the equity value of such Exchange Issuer as calculated pursuant to the SIFT Measures; and (ii) such number of Eligible Securities that are “Canadian real, immovable or resource property” which, together with other property that is “Canadian real, immovable or resource property” held by the Fund, have a total fair market value that constitutes not more than 45% of the equity value of the Fund as calculated pursuant to the SIFT Measures. **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Issuer.** To the extent the Maximum Ownership Level has been achieved in respect of the Eligible Securities of any one Exchange Issuer, and an excess of Eligible Securities of such Exchange Issuer above the Maximum Ownership Level has been deposited and not withdrawn, then the Eligible Securities of such Exchange Issuer will be accepted by the Manager up to the Maximum Ownership Level on a *pro rata* basis and the balance will be re-credited to the purchasers’ accounts through CDS.

The transfer of Eligible Securities to the Fund by taxable accounts will result in a disposition of such securities by the prospective purchaser and the recognition of income, loss, a capital gain or a capital loss.

Procedure

A prospective purchaser wishing to acquire Units by way of the Exchange Option may only acquire Units by means of a book-entry deposit through CDS prior to 5:00 p.m. (Toronto time) on May 25, 2010. Once submitted to the Exchange Agent through CDS, a deposit of Eligible Securities (including the transfers authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading “Withdrawal Right”. By authorizing a deposit of Eligible Securities through CDS, a prospective purchaser authorizes the transfer to the Fund of each such Eligible Security and represents and warrants that the prospective purchaser has full right and authority to transfer the Eligible Securities and is the beneficial owner of such Eligible Securities, that such Eligible Securities have not previously been conveyed, that the transfer of such Eligible Securities is not prohibited by laws applicable to the prospective purchaser and that such Eligible Securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such Eligible Securities. The Manager’s interpretation of the terms and conditions of the

Exchange Option will be final and binding. Subject to the Investment Restrictions, the Manager reserves the right to waive any conditions of the Exchange Option (other than the Maximum Ownership Level) and any irregularities in the deposit of Eligible Securities and to accept or reject, in whole or in part, any deposit of Eligible Securities made pursuant to the Exchange Option. **The Manager also reserves the right to accept or reject any Eligible Securities under the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio, as discussed below, and the net asset value of an Eligible Security.**

Neither the Fund, the Investment Manager, the Manager, the Agents nor the Exchange Agent shall be under any duty to notify a prospective purchaser of irregularities related to its deposit of Eligible Securities and will not incur any liability for failure to give such notification. If for any reason, at the discretion of the Manager, any Eligible Securities deposited pursuant to the Exchange Option are not acquired by the Fund, the holders of such Eligible Securities will be notified of such fact as soon as practicable following the Closing or the termination of the Offering, as the case may be, and such Eligible Securities will be re-credited to their accounts through CDS and the CDS Participants.

Determination of Exchange Ratios

The Exchange Ratios of the Eligible Securities which were deposited on or prior to the Deposit Date were determined by dividing the volume weighted average trading price of such Eligible Securities on the Listing Exchange during the period of five consecutive trading days ending on June 8, 2010 (the “**Pricing Period**”) by \$10.00 (being the original issue price per Unit) as adjusted to reflect distributions declared by an Exchange Issuer that will be payable to the security holder and therefore will not be received by the Fund (no further adjustments will be made to the Exchange Ratios based on dividends or distributions that are declared from the end of the Pricing Period to the Closing Date). For greater certainty, the distribution payable on the Eligible Securities of any Exchange Issuer that were deposited pursuant to the Exchange Option and which have a record date before the Closing Date will be received by the prospective purchaser who deposited such Eligible Securities and not by the Fund. The Exchange Ratios were rounded down to four decimal places. Fractional Units will not be issued by the Fund. The allocation by CDS of cash in lieu of fractional Units to purchasers who have authorized the deposit of Eligible Securities through CDS will be at the discretion of the CDS Participant. The Manager did not determine an Exchange Ratio for any Eligible Security which did not trade during the Pricing Period and therefore such Eligible Security was not accepted for the Exchange Option.

The Fund issued a press release on June 14, 2010 for the Eligible Securities which were deposited on or prior to the Deposit Date, announcing the name of the Exchange Issuers, the weighted average trading price of such Eligible Securities during the Pricing Period and the Exchange Ratios for the Eligible Securities of each Exchange Issuer, which were as follows:

Exchange Issuer	CUSIP	Ticker Symbol	Weighted Average Trading Price	Exchange Ratio
Artis REIT	04315L105	AX-U	\$11.33	1.133
Manitoba Telecom Svcs Inc	563486109	MBT	\$27.75	2.775
Telus Corp	87971M103	T	\$39.45	3.945
Yellow Pages Income Fund	985569102	YLO-U	\$6.18	0.618

Delivery of Final Prospectus

Each prospective purchaser who deposited Eligible Securities pursuant to the Exchange Option through CDS on or before 5:00 p.m. (Toronto time) on May 25, 2010 will be furnished with a copy of the Final Prospectus.

Withdrawal Right

Prospective purchasers under the Exchange Option are entitled to withdraw or rescind their purchase by providing a written notice of withdrawal or rescission to such prospective purchaser's CDS Participant who effected the deposit of the Eligible Securities. Any such notice of rescission must specify the Eligible Securities of each Exchange Issuer to be so rescinded and the name of the prospective purchaser. To be effective, the notice must be received by the CDS Participant on or before midnight on the second Business Day after receipt or deemed receipt of the Final Prospectus.

REDEMPTION OF UNITS

Annual Redemption

Units may be redeemed on an annual basis on the last Business Day of October in each year, commencing in 2011 (each such day being an "**Annual Redemption Date**"), subject to the Manager's right to suspend redemptions in certain circumstances (the "**Annual Redemption**"). Upon receipt by the Fund of a notice of an Annual Redemption, in the manner described below under the heading "Redemption of Units - Exercise of Redemption Right", the Unitholders shall be entitled to receive a price per Unit (the "**Annual Redemption Price**") equal to the NAV per Class A Unit or the NAV per Class F Unit, as applicable, determined as of the Annual Redemption Date, less all costs and expenses associated with the redemption on the Annual Redemption Date. If all necessary redemption documents have been properly completed and given to the Manager through a CDS Participant with the notice of the Annual Redemption, the Manager will pay the aggregate Annual Redemption Price within 10 Business Days of the Annual Redemption Date.

Monthly Redemption

Units may also be redeemed at the option of the Unitholders on the second last Business Day in each month (other than October, commencing in 2011) (each such day being a "**Monthly Redemption Date**"), subject to the Manager's right to suspend redemptions in certain circumstances (the "**Monthly Redemption**"). Upon receipt by the Fund of the notice of a Monthly Redemption, in the manner described below under the heading "Redemption of Units - Exercise of Redemption Right", the Unitholders shall be entitled to receive a price per Unit (the "**Monthly Redemption Price**") equal to:

- (a) in the case of a Class A Unit, that amount (the "**Class A Unit Monthly Redemption Price**") which is equal to the lesser of (i) 94% of the Market Price of a Class A Unit and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses associated with the redemption, including brokerage costs; and
- (b) in the case of a Class F Unit, an amount equal to the product obtained by multiplying the Class A Unit Monthly Redemption Price on the applicable Monthly Redemption Date by a fraction, the numerator of which is the NAV per Class F Unit and the denominator of which is the NAV per Class A Unit, less any costs and expenses associated with the redemption, including brokerage costs.

If all necessary redemption documents have been properly completed and given to the Manager through a CDS Participant with the notice of the Monthly Redemption, the Manager will pay the aggregate Monthly Redemption Price within 10 Business Days of the Monthly Redemption Date.

Exercise of Redemption Right

The Annual Redemption right must be exercised by causing written notice to be given to the Manager through a CDS Participant at least 20 Business Days prior to an Annual Redemption Date and in the manner described below. The Monthly Redemption right must be exercised by the Unitholder causing written notice of such redemption to be given to the Manager through a CDS Participant by not later than the 10th Business Day immediately preceding the applicable Monthly Redemption Date and in the manner described below.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of a Unitholder, a written notice of a Unitholder's intention to redeem Units. A Unitholder who desires to redeem Units must provide the CDS Participant with notice (the "**Redemption Notice**") of his or her intention to exercise his or her redemption privilege. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a Redemption Notice of the Unitholder's intention to redeem such Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the applicable redemption payment date.

Any Redemption Notice delivered by a CDS Participant regarding a Unitholder's intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with Unitholder's owner's instructions will not give rise to any obligations or liability on the part of the Fund, the Manager or Investment Manager to the CDS Participant or to the Unitholder.

Suspension of Redemption Right

A Unitholder's right to redeem Units may be suspended with the consent of the Canadian securities regulatory authorities or for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange, in or outside Canada, on which securities are listed and traded, where more than 50% of the securities held by the Fund are listed or traded, if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund.

INCOME TAX CONSIDERATIONS

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

In the view of KPMG LLP ("**KPMG**"), in its capacity as tax advisor to the Fund, and in the opinion of Blake, Cassels & Graydon LLP ("**Agents' counsel**"), counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a Unitholder who is

an individual (other than a trust) and acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada for purposes of the Tax Act, deals at arm's length and is not affiliated with the Fund and holds the Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided such units are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Unitholders should consult their own tax advisors regarding their particular circumstances as such election would affect the income tax treatment of dispositions by the Unitholder of all of their "Canadian securities" (as defined in the Tax Act).

This summary is not applicable to a Unitholder that is a "financial institution" for purposes of the "mark-to-market" rules, a "specified financial institution", or a Unitholder, an interest in which is a "tax shelter investment" (all as defined in the Tax Act). This summary does not address the tax considerations of a Unitholder borrowing money to acquire Units. All such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of the Units acquired pursuant to this Offering.

This summary is based on the facts set out in this Prospectus and in certificates provided to KPMG and Agents' counsel by the Fund, the Manager and the Agents ("**Certificates**"). This summary assumes that the representations in the Certificates, including the representation that the Fund will qualify as a "mutual fund trust" and will not hold investments that would cause the Fund to be a "specified investment flow through trust" for purposes of the Tax Act, are true and correct. This summary is also based upon the provisions of the Tax Act and the regulations (the "**Regulations**") thereunder in force as of the date hereof and on KPMG's and Agents' counsel's understanding of the current administrative policies and assessing practices of Canada Revenue Agency (the "**CRA**") published prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations thereunder which have been publicly announced by or on behalf of the Minister of Finance (Canada) (the "**Minister**") prior to the date hereof. There can be no assurance that these proposals will be enacted in their current form or at all, or that CRA will not change its administrative policies and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. There can be no assurances that such changes, if made, might not be retroactive. This summary also does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Prospectus.

This summary assumes that the Fund will comply with its investment restrictions, that none of the issuers of the securities in the Portfolio will be foreign affiliates of the Fund or of any Unitholders and that none of the securities in the Portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, or will be an offshore investment fund property that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act, or an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in paragraph 94(1)(d) of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust", for the purposes of the Notice of Ways and Means Motion to Amend the Tax Act dated March 4, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the particular circumstances applicable to each holder thereof. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice

to any prospective purchaser of Units. The Fund has not obtained, nor sought, an advance tax ruling from CRA in respect of this Offering. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

Status of the Fund

Qualification as a “Mutual Fund Trust”

This summary assumes that the Fund will qualify as a “mutual fund trust” as defined in the Tax Act at the time of the completion of the Offering of Units hereunder, and will thereafter continuously qualify as a mutual fund trust at all relevant times. Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, those Units are listed on a designated stock exchange within the meaning of the Tax Act (including the TSX), the Units will be qualified investments for Plans. If the Fund does not qualify or ceases to qualify as a mutual fund trust, the Canadian income tax considerations described below would be materially different from those described in this summary, and in particular, adverse consequences may arise including that (i) the Fund may become liable to pay certain additional taxes (with the result that the amount of cash available for distribution by the Fund would be reduced and Unitholders may otherwise be adversely affected), and, (ii) if at such time the Units are also not listed or cease to be listed on the TSX (or other designated stock exchange), the Units may not be qualified investments for Plans (with the result that a Plan, its annuitant, beneficiary or holder thereof may become liable to pay additional tax or penalties or may be otherwise adversely affected including, in the case of an RESP, the registration of such Plan may be revoked).

To qualify as a mutual fund trust at any particular time: (i) the Fund must be a unit trust (as defined in the Tax Act) resident in Canada; (ii) the Fund must not reasonably be considered to be established or maintained primarily for the benefit of non-residents of Canada; (iii) the only undertaking of the Fund must be limited to the investing of funds in property (other than real property or an interest in real property), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) that is capital property of the Fund, or any combination of such activities; and (iv) the Fund must comply with certain prescribed requirements (the “minimum distribution requirements”) including that the Units be qualified for distribution to the public and that at all relevant times there must be no fewer than 150 beneficiaries of the Fund each of whom holds at least one block of units of a particular class having an aggregate fair market value of not less than \$500 each (for these purposes, if the fair market value of a Unit is less than \$25, a block of units means 100 Units). The Manager has advised KPMG and Agents’ counsel that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering and at all times thereafter and will elect to be a mutual fund trust through its first taxation year.

If certain tax proposals released on September 16, 2004 are enacted as proposed (the “**September 16th Tax Proposals**”), the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents, or partnerships that are not Canadian partnerships, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Units unless not more than 10% (based on fair market value) of the Fund’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Units are intended to limit the number of Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Units representing more than 50% of the fair market value of all Units (on a number of Units or on a fair market value basis). The September 16th Tax Proposals were not included in Bill C-52, which received Royal Assent on June 22, 2007. Pursuant to an amendment to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when

it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons unless at that time, all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 16th Tax Proposals.

The SIFT Measures

On October 31, 2006, the Minister announced significant changes to the federal income taxation of publicly listed or traded trusts and partnerships, and their investors, and subsequently introduced a series of legislative amendments which were enacted prior to the date hereof (the “**SIFT Measures**”). The SIFT Measures effectively tax certain income of a publicly-listed or traded trust or partnership that is distributed to its investors as if the income were earned through a taxable corporation and distributed to its notional shareholders as a dividend.

The SIFT Measures apply to any “specified investment flow-through” (a “**SIFT**”) and its investors. A SIFT is generally a Canadian resident trust (“**SIFT trust**”) or partnership (“**SIFT partnership**”) investments which are listed or traded on a stock exchange or other public market, and which holds “non-portfolio properties” (as defined in the Tax Act). The effect of the SIFT Measures is that SIFT trusts and SIFT partnerships would generally be subject to a special tax (“**SIFT tax**”) on their “non-portfolio earnings”, where such earnings are distributed or allocated to investors of the trust or partnership.

Certain distributions attributable to a SIFT trust’s “non-portfolio earnings” (the “**non-deductible distributions amount**”) will not be deductible in computing the SIFT trust’s income. The SIFT trust will be subject to SIFT tax on such distributions and a SIFT partnership is subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. For those purposes, “non-portfolio earnings” generally includes income (other than taxable dividends) from, or net taxable capital gains realized on, “non-portfolio properties” in the taxation year. The “non-deductible distributions amount” of a SIFT trust and the “taxable non-portfolio earnings” less SIFT tax payable of a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act.

Generally, distributions paid by a SIFT trust as a return of capital will not be subject to this tax.

The SIFT Measures do not apply to a trust that does not hold any “non-portfolio property” throughout the taxation year of the trust. For these purposes, certain securities of an entity owned by the trust would be a non-portfolio property of the trust if the fair market value of the securities of the entity or entities affiliated with the entity owned by the trust would exceed certain thresholds (the “**Subject Entity Restrictions**”) or if more than 50% of the fair market value of the security is derived from certain Canadian property and the fair market value of such securities is greater than 50% of the fair market value of the units of the trust (“**Canadian Content Restrictions**”). In addition, a property that the trust, or a person or partnership with whom the trust does not deal at arm’s length, uses at that time in the course of carrying on a business in Canada is also a non-portfolio property.

Subject Entity Restrictions

The Subject Entity Restrictions provide that a property held by the Fund at any time in the taxation year is a “non-portfolio property” if the property is a security of a subject entity (other than a portfolio investment entity), where the Fund holds

- (a) securities of the subject entity that have a total fair market value that is greater than 10% of the equity value of the subject entity (i.e. greater than 10% of the fair market value of the units or shares, as the case may be), or
- (b) securities of the subject entity that, together with all of the securities that the Fund holds of entities affiliated with the subject entity have a total fair market value that is greater than 50% of the fair market value of Units of the Fund.

For the purposes of determining whether the Fund holds any non-portfolio property:

- (a) an “entity” means a corporation, trust or partnership;
- (b) a “subject entity” means a corporation or trust that is resident in Canada, a Canadian resident partnership, or a non-resident person or partnership that is not a Canadian resident partnership that principally derives its income from one or any combination of sources in Canada;
- (c) “securities” include a liability, share, right to control the voting rights of a share, an interest in a trust, an interest in a partnership or a right to acquire such a share, a trust interest or interest in a partnership; and
- (d) a “portfolio investment entity” is an entity that does not hold any non-portfolio property.

Canadian Content Restrictions

The Canadian Content Restrictions provide that if the Fund holds at any time in the taxation year of the Fund a Canadian real, immovable or resource property, and the total fair market value of all such property held by the Fund is greater than 50% of the fair market value of Units of the Fund, such a property is a non-portfolio property.

For these purposes, “Canadian real, immovable or resource property” means a property that is:

- (a) a real or immovable property situated in Canada, Canadian resource property, or timber resource property, or a right or interest in such property (collectively referred to herein as “**Canadian Real Property**”), and
- (b) a share of the capital stock of a corporation, an income or capital interest in a trust, an interest in a partnership (other than a taxable Canadian corporation, a SIFT trust or a SIFT partnership), or a right or interest in such share or interest, if more than 50% of the fair market value of the share or interest is derived directly or indirectly from Canadian Real Property.

Consequently, for these purposes, a unit in a trust that qualifies as a “real estate investment trust” for purposes of the Tax Act (a “**Qualifying REIT**”) is a Canadian real, immovable or resource property, if more than 50% of the fair market value of the unit is derived from Canadian Real Property.

The Investment Strategies of the Fund and the SIFT Measures

The Fund intends to provide Unitholders with exposure to a diversified and professionally managed portfolio of real estate securities comprised of interests in Canadian REITs, including Qualifying REITs and real estate operating companies (“**REOCs**”). The Fund intends to invest in units or shares of Canadian REITs and REOCs listed on the TSX, TSXV or other similar exchange in Canada, as well as

interests in non-resident corporations and other foreign real estate entities (“**Foreign REEs**”) on a global basis.

Due to the nature of such investments, the Fund’s investment activities could cause the Fund to hold non-portfolio property and thus to become subject to the SIFT Measures. For example, should the Fund’s Portfolio holdings become too concentrated in Qualifying REITs (or in Foreign REEs that derive their value principally from Canadian Real Property) the Fund may violate thresholds under the Canadian Content Restrictions, or should the Fund’s investments in any particular entity (whether Qualifying REIT, Canadian REOC, Foreign REE, or any other entity) become too concentrated, the Fund may violate thresholds under the Subject Entity Restrictions. To mitigate such risks, the Declaration of Trust contains investment restrictions to the effect that, on and after the initial investment of the Fund Property, the Fund will not be permitted to acquire any investment that would result in the Fund becoming a SIFT trust (see “**Investment Restrictions**”). In addition, the Manager, Investment Manager and the Fund have indicated to KPMG and Agents’ counsel that the Fund’s investments will be monitored for compliance with the Investment Restrictions and that the Fund’s intended Investment Strategies will not cause the Fund to hold, at any time in any taxation year, any non-portfolio property, and as such, that the SIFT Measures should not apply to the Fund.

The actual application of the SIFT Measures to the Fund will depend on the Fund’s Investment Strategies as actually implemented, and the Fund’s ability to continue to meet, through actual annual operating results, the various investment restrictions regarding the holding of non-portfolio property. KPMG and Agents’ counsel will not review the Fund’s compliance with the Investment Restrictions surrounding the holding of non-portfolio property, or its exposure to the SIFT Measures. The Declaration of Trust provides that the Manager and the Fund will monitor the status of the Fund’s investments under the Tax Act (or proposed amendments thereto) in order to avoid tax liability under the SIFT Measures. While the SIFT Measures are now law, there can be no assurances that the treatment of SIFTs under the Tax Act will not be changed, or that administrative policies and assessing practices of CRA will not develop, in a manner which adversely affects the Fund or its Unitholders.

If the Fund, at any time in any taxation year, invests in or holds any amount of non-portfolio property, the Fund and its Unitholders would be subject to the SIFT Measures and the income tax considerations could be materially different from those described in this summary. In particular, and without limiting the generality of the foregoing, the non-deductible distribution amount, as previously described, would be taxable to the Fund (with the result that the amount of cash available for distribution by the Fund would be reduced) and such amount would also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. In very general terms, if the SIFT Measures apply in any particular year, the non-deductible distribution amount subject to tax in the Fund and taxable to Unitholders would include distributions attributable to certain income, including income (other than taxable dividends) from, or capital gains realized on, any non-portfolio properties of the Fund.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for purposes of the Tax Act for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Manager has advised KPMG and Agents’ counsel that the Fund generally intends to deduct, in computing its income in each taxation year, a sufficient amount in each year after taking into account all available deductions, credits and refunds, such that provided the Fund makes distributions in each year of

its net income for tax purposes and net realized capital gains as described under the heading, “Description of the Securities Distributed – Units – Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

With respect to an issuer that is a trust resident in Canada whose units are held by the Fund as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax under the SIFT Measures, the Fund is required to include in its income such portion of the net income and the taxable portion of the net realized capital gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain amounts of which may be reinvested in additional units of the issuer. Provided appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer and taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Fund and are designated by the issuer in respect of the Fund will effectively retain their character as such in the hands of the Fund.

The Fund is generally required to reduce the adjusted cost base of the units of such issuer structured as a trust resident in Canada to the extent that all amounts paid or payable in a year by such issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year and the Fund’s share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of the unit of such issuer would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Fund and the Fund’s adjusted cost base of such unit is increased by the amount of such deemed capital gain.

Where the Fund acquires an interest in a limited partnership (other than a SIFT partnership), the limited partnership is not subject to tax under the Tax Act. However, as a partner of the limited partnership the Fund is required to include in computing the Fund’s income for a particular taxation year the Fund’s share of the income or loss of the limited partnership for its fiscal year ending in or on the Fund’s taxation year end, whether or not any of that income or loss is distributed to the Fund in the taxation year. For this purpose, the income or loss of the limited partnership must be computed for each fiscal year as if the limited partnership was a separate person resident in Canada, and will be required to be allocated to partners on the basis of their respective shares of that income or loss as provided for in the limited partnership agreement, subject to certain provisions of the Tax Act in that regard.

Generally, cash distributions by a limited partnership in which the Fund owns a partnership interest to the Fund in excess of the Fund’s share of the income and capital gains for a fiscal year will be treated for purposes of the Tax Act as a return of capital, which is not required to be included in the Fund’s income but will reduce the Fund’s adjusted cost base of its interest in the limited partnership. If, as a result, the Fund’s adjusted cost base of its interest at the end of a fiscal year of the limited partnership would otherwise be a negative amount, the Fund will be deemed to realize a capital gain equal to such amount, and the adjusted cost base of its partnership interest will be nil immediately thereafter.

Under the SIFT Measures, each issuer in the Portfolio that is a SIFT trust or SIFT partnership will generally be subject to SIFT tax in respect of, in the case of a SIFT trust, its “non-deductible distributions amount”, and in the case of a SIFT partnership, its “taxable non-portfolio earnings”, at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The SIFT Measures will generally not apply for taxation years that end before 2011 where such an issuer would have been a SIFT trust or a SIFT partnership on October 31, 2006 had the SIFT Measures been in force and applied to the issuer as of that date and the issuer complied with guidelines issued by the Department of Finance on February 25, 2009 and incorporated by reference into the SIFT Measures concerning the acceptable level of growth for such issuers. In all other cases, the SIFT Measures will generally apply to the 2007 and later taxation years of a SIFT trust or SIFT partnership. Any “non-deductible distributions amount” of a SIFT trust and the “taxable non-portfolio earnings” less SIFT tax payable of a SIFT partnership will be

deemed to be a taxable dividend received from a taxable Canadian corporation that is an "eligible dividend" (as defined in the Tax Act) eligible for the enhanced gross-up and tax credit provisions contained in the Tax Act.

The Fund will also be required to include in its income for each taxation year, any dividends received (or deemed to be received) by it in such year and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In computing its income for tax purposes, the Fund may deduct reasonable administrative, interest and other expenses incurred to earn income and may deduct over a five-year period the costs and expenses of the Offering paid by the Fund and not reimbursed. To the extent that the Fund borrows to redeem Units, the interest in respect of such borrowing will generally not be deductible.

The CRA has expressed a view on certain facts and assumptions presented to the CRA that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. KPMG and Agents' counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view, which were based on certain facts and assumptions presented to the CRA, should not affect the Fund's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio. However, if the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain securities in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

On October 31, 2003 the Minister announced a tax proposal (the "**Tax Proposal**") relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternative proposal has been released. There can be no assurance that such alternative proposal will not adversely affect the Fund.

Upon the actual or deemed disposition of a security held by the Fund as capital property, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such asset, any reasonable costs of disposition and any amounts included in the Fund's income as interest on the disposition of the security. The Manager has advised KPMG and Agents' counsel that the Fund will purchase securities in the Portfolio with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Manager has also advised KPMG and Agents' counsel that the Fund intends to make an election under subsection 39(4) of the Tax Act so that all securities included in the Portfolio that are "Canadian securities" (as defined in the Tax Act) will be deemed to be capital property to the Fund.

The trading price of, and distributions, dividends and interest received on, securities held by the Fund may be denominated in currency other than Canadian currency. All distributions, dividends, interest, costs and proceeds of disposition of securities will be determined in Canadian dollars for purposes of the

Tax Act at the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in this regard. The Fund may realize gains and losses by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars. Where the Fund uses derivatives to hedge foreign currency exposure with respect to securities held on capital account, in accordance with the CRA's published administrative practice, gains or losses realized on such derivatives will be treated as capital gains or losses.

The Fund will derive income or gains from investments in countries other than Canada (herein after referred to as "foreign source income") and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such income and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distribution to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent the foreign source income of the Fund exceeds 15% of the amount included in the Fund's income from such investment, such excess may generally be deducted in computing its income for purposes of the Tax Act.

Under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), plus the non-taxable portion of any net capital gain realized by the Fund, but excluding:

- (a) capital gains, which may be offset by capital losses, if any, carried forward from prior years, or the tax on which is recoverable by the Fund,
- (b) income, which may be offset by non-capital losses, if any, carried forward from prior years, and
- (c) net income and net realized capital gains of the Fund for the taxation year otherwise distributed or made payable to the Unitholders during such year,

will be payable in the year to Unitholders, subject to the qualifications described below.

The Declaration of Trust provides that to the extent cash of the Fund is unavailable for cash distributions, and the income of the Fund in a taxation year exceeds the cumulative cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units as applicable. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

Losses incurred by the Fund in a particular taxation year cannot be allocated to Unitholders, but may be deducted by the Fund, in the case of non-capital losses, in the particular year and in the ensuing twenty taxation years and, in the case of capital losses, in the particular year and in any future taxation year to the extent of capital gains, in computing taxable income of the Fund in accordance with, and subject to, applicable provisions of the Tax Act.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising in connection with the disposition of securities in the Portfolio in connection with the redemption of Units. The Declaration of Trust provides that all or a portion of any taxable capital

gain realized by the Fund as a result of that redemption may, at the discretion of the Trustee, be treated as a taxable capital gain paid to, and designated as a taxable capital gain of, the redeeming Unitholders, and thus deductible by the Fund in computing its income.

Taxation of Unitholders

Trust Distributions

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for purposes of the Tax Act of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable by the Fund to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units, or otherwise. Any loss of the Fund for purposes of the Tax Act cannot be allocated to Unitholders.

Provided that appropriate designations are made by the Fund, such portion of (a) the net realized taxable capital gains of the Fund, (b) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit and (c) the taxable dividends received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. An enhanced dividend gross-up and tax credit is available for eligible dividends paid by corporations resident in Canada which are so designated by the dividend paying corporation. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances including other foreign source income or losses received and foreign taxes paid by the Unitholder.

The non-taxable portion of net realized capital gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year and will not reduce the adjusted cost base of Units held by the Unitholder. Any amount in excess of a Unitholder's share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will also not generally be included in computing the Unitholder's income for the year. However, the payment by the Fund of such excess amount will reduce the adjusted cost base of Units to the Unitholder. Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

To the extent that the holders of Class A Units bear a higher proportion of the Agents' Commission and Management Fee than holders of Class F Units in respect of their investment in the Fund, distributions to holders of Class A Units will, for income tax purposes, constitute return of capital rather than income (including net realized taxable capital gains).

The Declaration of Trust provides that the Fund may make the requisite designations permitted by the Tax Act such that the portion of net taxable capital gains of the Fund distributed to Unitholders as may reasonably be considered to be part of the amount that was included in computing income of Unitholders for purposes of the Tax Act will be deemed to be received by Unitholders in the year as a taxable capital

gain. Any such designated amount will be subject to the general rules relating to the taxation of capital gains described below.

Dispositions of Units

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before the disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund in connection with a redemption which has been designated by the Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below. A consolidation of Units of a class following a special distribution paid in the form of additional Units of that class will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units of that class.

The adjusted cost base of a Unit to a Unitholder will include the amount paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (including the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder of Units of a particular class, when a Unit of a particular class is acquired, the cost of the newly acquired Unit must be averaged with the adjusted cost base of all of the Units of the same class owned by the Unitholder as capital property immediately before that acquisition. The non-taxable portion of distributions (other than the non-taxable portion of any net capital gains) received on a Unit will generally reduce the adjusted cost base of the Unit.

If, at any time, the Fund delivers property other than cash to any Unitholder upon a redemption of a Unitholder's Units or the termination of the Fund, the Unitholder's proceeds of disposition of the Units will be equal to the fair market value of the distributed property less any capital gain realized by the Fund on the disposition of such property. The cost of any property distributed by the Fund *in specie* will generally be equal to the fair market value of such property at the time of the distribution. Such distributed property may or may not be a qualified investment for Plans. If such distributed property is not a qualified investment for Plans, such Plans (and, in the case of certain Plans, the annuitants or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of RESPs, revocation of such Plans.

Based on the understanding of KPMG and Agents' counsel of the current published administrative practice of the CRA, the conversion of Class F units into Class A Units should not constitute a disposition for the purposes of the Tax Act.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder must generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units generally may be deducted by the Unitholder against taxable capital gains of the Unitholder in the year of disposition, and to the extent such losses exceed such gains, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

Alternative Minimum Tax

The Tax Act provides for a special “alternative minimum tax” applicable to certain taxpayers including individuals and certain trusts, depending on the amount of their “adjusted taxable income”. In general terms, adjusted taxable income of a Unitholder who is an individual or a trust (and therefore the exposure of such Unitholder to liability for alternative minimum tax) must be increased by, among other things, any taxable capital gains realized by such Unitholder on the disposition of Units and by any net income of the Fund that is paid or payable to such Unitholder and that has been designated as a taxable capital gain or as taxable dividends from taxable Canadian corporations.

The Exchange Option

A purchaser who disposes of Eligible Securities held as capital property pursuant to the Exchange Option will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Eligible Securities takes place to the extent that the proceeds of disposition for such Eligible Securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the purchaser of such Eligible Securities. For this purpose, the proceeds of disposition to the purchaser will equal the aggregate of the fair market value of the Units received pursuant to the Exchange Option and the amount of any cash received in lieu of fractional Units. The cost to a purchaser of Units acquired pursuant to the Exchange Option will be equal to the fair market value of such Units at the time of exchange.

A purchaser who realizes a capital gain or capital loss upon the disposition of Eligible Securities will be required to include in computing the purchaser’s income one-half of any such capital gain (“**taxable capital gain**”) and generally will be entitled to deduct one-half of any such capital loss (an “**allowable capital loss**”) against taxable capital gains realized in the year of disposition. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Taxable capital gains realized by a purchaser may give rise to alternative minimum tax depending on the purchaser’s circumstances.

Taxation of Registered Plans

Provided that at a particular time the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, those Units are at that time listed on a designated stock exchange within the meaning of the Tax Act (including the TSX), the Units will be “qualified investments” (as defined in the Tax Act and the Regulations) at that time for trusts governed by Plans. Accordingly, where Units are qualified investments and held by Plans, Plans should generally not be taxable on any distributions on such Units or any gains realized on the disposition of such Units. However, funds withdrawn from a Plan (other than a TFSA, an RESP and portions of certain payments from a registered disability savings plan) will generally be taxable to the annuitant, beneficiary or holder in the year of withdrawal. If property is distributed from a Plan (other than a TFSA, an RESP and portions of certain payments from a registered disability savings plan) to the annuitant, beneficiary or holder, the amount taxable to the annuitant, beneficiary or holder in respect of the property distributed will generally be equal to the fair market value of the property at the time of the distribution unless the property is transferred to another Plan in accordance with the Tax Act. Withdrawals of contributions from RESPs are not taxable; however, withdrawals of income or capital gains that those contributions earn are taxable.

Generally, if at any time, in the case of Units, the Fund ceases to qualify as a mutual fund trust and, in the case of Class A Units, those Units also cease to be listed on the TSX and are not listed on another designated stock exchange, the Units may cease to be qualified investments for Plans at that time. Where

a Plan acquires a Unit that is not, or that ceases to be, a qualified investment, adverse tax consequences will generally arise to the Plan and the annuitant, beneficiary or holder thereunder, including that the Plan and, in the case of a TFSA, the holder may become subject to a penalty tax, the annuitant of such Plan may be deemed to have received income therefrom or, in the case of an RESP, the RESP may have its tax exempt status revoked. In addition, in the case of a TFSA, where the TFSA acquires or holds a Unit that is a “prohibited investment” (as defined in the Tax Act), adverse tax consequences will generally arise to the holder of the TFSA, including that the holder may become subject to a penalty tax. The Units should not be prohibited investments provided the holder of a TFSA does not hold a “significant interest” (as defined in the Tax Act) in and deals at arm’s length (within the meaning of the Tax Act) with the Fund and does not hold a significant interest in any person or partnership that does not deal at arm’s length with the Fund. In light of the foregoing, Plans that propose to invest in Units should consult their own tax advisors before deciding to purchase Units and again before deciding to exercise the redemption rights attached to such Units.

Tax Implications of the Fund’s Distribution Policy

A Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. The consequences of acquiring Units late in a calendar year will generally depend on the amount of the distributions throughout the year and whether one or more special distributions to Unitholders are necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

Sunstone Investment Management Inc. will act as the manager of the Fund. The Manager was incorporated on March 16, 2010 under the *Business Corporations Act* (British Columbia) under incorporation number BC0876177. Its head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Directors and Officers of the Manager

The names, municipality of residence, position with the Manager held by each director and officer and the principal occupations of each director and officer of the Manager for the past five years are set out below. Directors are appointed to serve on the board of directors of the Manager until such time as they retire or are removed and their successors are appointed.

NAME AND MUNICIPALITY OF RESIDENCE	POSITION WITH THE MANAGER	PRINCIPAL OCCUPATION
Darren Latoski Vancouver, BC	Director and President, March 16, 2010 to present	Director and President, Sunstone Realty Advisors Inc., 2002 to present
Steve Evans North Vancouver, BC	Director and Secretary, March 16, 2010 to present	Director, Chief Operating Officer and Secretary, Sunstone Realty Advisors Inc., 2002 to present
Samantha Adams Vancouver, BC	Vice President March 23, 2010 to present	Vice President, Sunstone Realty Advisors Inc., 2002 to present

Mary Huai
Vancouver, BC

Controller
March 23, 2010 to present

Controller, Sunstone Realty
Advisors Inc., 2006 to
present

None of the directors or officers of the Manager hold, directly or indirectly any Units of the Fund.

Darren Latoski - As President and indirect 50% owner of the shares in Sunstone, Mr. Latoski participated in the negotiation and acquisition of property interests by Sunstone Opportunity Fund Limited Partnership totaling over \$58 million, by Sunstone Opportunity Fund (2004) Limited Partnership totaling over \$40 million, by Sunstone Opportunity Fund (2005) Limited Partnership totaling over \$122 million, by Sunstone Opportunity Fund (2006) Limited Partnership totaling over \$118 million, by Sunstone (2007) Co-Ownership totaling over \$113 million, by Sunstone U.S. (2008) L.P. totaling over US\$84 million; by Sunstone Opportunity Fund (2008) Limited Partnership totaling over \$68 million, and by Sunstone U.S. (No. 2) L.P. totaling over US\$15 million. He continues his active role in the management of the business of Sunstone, with a focus on enhancing the value of the assets owned by such entities. As President and the indirect owner of one-third of the shares in Churchill Property Group Inc. ("CPGI"), Mr. Latoski participated in the negotiation and acquisition by Churchill Institutional Real Estate Limited Partnership of property interests totaling \$41,500,000. As a founder and trustee of PIRET, Mr. Latoski participated in the creation of a portfolio of over 20 industrial properties having a total value of over \$100 million.

Mr. Latoski was also involved as a principal in the Cambridge Grand, a 169 unit apartment condominium project located in Cambridge, Ontario. This property was acquired in 2000 at a purchase price of \$12,500,000 and was subsequently refurbished and resold to individual owners for total resale proceeds of \$16,965,000 over an 18 month period.

Between 1990 and 1997, Mr. Latoski was involved as a principal of a group of private companies in connection with the identification, refurbishment and sale of fifteen condominium projects located in British Columbia and Alberta, representing 2,073 residential units, for total gross sale proceeds of \$199,500,000, and the refurbishment and sale of a 41-unit rental building located in the State of Washington, for gross sale proceeds of US\$8,400,000. These projects ranged in size from 19 suites and \$1.5 million in value to 302 suites and \$28 million in value. Mr. Latoski was integrally involved in the due diligence leading to the placement of these projects under contract, including three projects that were at the turn-key construction project stage of development and in planning and implementing the marketing and sales of the finished condominium units or, in the case of the rental building located in the State of Washington, the entire building. During this period, Mr. Latoski identified assets which were undervalued in relation to their best use as condominiums and worked as a principal to realize their full value.

Steve Evans – As Chief Operating Officer and indirect 50% owner of the shares in Sunstone, Mr. Evans participated in the negotiation and acquisition by Sunstone Opportunity Fund Limited Partnership totaling over \$58 million, by Sunstone Opportunity Fund (2004) Limited Partnership totaling over \$40 million, by Sunstone Opportunity Fund (2005) Limited Partnership totaling over \$122 million, by Sunstone Opportunity Fund (2006) Limited Partnership totaling over \$118 million, by Sunstone (2007) Co-Ownership totaling over \$113 million, by Sunstone U.S. (2008) L.P. totaling over US\$84 million; by Sunstone Opportunity Fund (2008) Limited Partnership totaling over \$68 million, and by Sunstone U.S. (No. 2) L.P. totaling over US\$15 million. He continues his active role in the management of the business of Sunstone, with a focus on enhancing the value of the assets owned by such entities. As Secretary and the indirect owner of one-third of the shares in CPGI, Mr. Evans participated in the negotiation and acquisition by Churchill Institutional Real Estate Limited Partnership of property interests totaling \$41,500,000. As a founder and trustee of PIRET, Mr. Evans participated in the creation of a portfolio of over 20 industrial properties having a total value of over \$100 million.

From June, 1987, to September, 2001, Mr. Evans was Vice President of England Securities Ltd., a real estate investment, development and management company. In his capacity as Vice President, Mr. Evans actively participated in the negotiation, acquisition and management by England Securities Ltd. of a number of real estate assets totaling 4,500 residential units with an aggregate value in excess of \$280 million. Mr. Evans' experience in this regard encompassed assets in the following markets: Dallas, Texas (10 projects); Houston, Texas (three projects); Palm Desert, California (one project – converted to condominiums); Toronto and surrounding area (eight projects); Calgary, Alberta (one project); Vancouver and surrounding area (three projects). In addition to these initial acquisitions, Mr. Evans also participated in the successful mortgage refinancing of 19 projects in order to re-capitalize various limited partnerships totaling in excess of \$200 million.

The Manager is part of the Sunstone group, a diversified Vancouver-based real estate investment, development and management company, the directors, officers and indirect owners of which are Darren Latoski and Steve Evans. Since 2003, Sunstone has, through investment structures such as limited partnerships, public and private REITs, debentures and mortgages, raised over \$280 million in private and public equity and acquired, managed and/or developed over \$600 million in commercial real estate and apartment properties in Canada and the United States.

Messrs. Evans and Latoski established Pure Industrial Real Estate Trust (“**PIRET**”) in 2007 and are two of PIRET's six trustees. PIRET is an unincorporated, open-ended investment trust established for the purposes of acquiring, owning and operating a diversified portfolio of income producing industrial properties in both primary and secondary markets across Canada. PIRET focuses exclusively on investing in industrial properties and as of the date hereof is the only publicly-traded vehicle in Canada that offers investors exclusive exposure to Canada's industrial real property assets. Since 2007, PIRET has raised over \$75 million in equity and acquired over \$164 million in industrial properties in Canada

Cease Trade Orders and Bankruptcies of the Manager

None of the directors or officers of the Manager was, within the 10 years prior to the date of this Prospectus, a director, chief executive officer or chief financial officer of any other investment fund that was:

- (a) was subject to an order that was issued while he was acting in the capacity of director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after he was ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of director, chief executive officer or chief financial officer,

where “order” means a cease trade order, an order similar to a cease trade order or an order that denied any such investment fund access to any exemption that was available under securities legislation, in any case that was in effect for a period of more than 30 consecutive days.

Duties and Services to be Provided by the Manager

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, including, without limitation:

- (a) the retention and monitoring, on behalf of the Fund, of the Investment Manager, as well as monitoring relationships with the transfer agent, and other organizations serving the Fund;
- (b) the authorization and payment on behalf of the Fund of operation expenses incurred on behalf of the Fund, the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (c) the calculation of the Service Fee and the payment thereof to investment dealers at the end of each calendar quarter;
- (d) the provision of office space, telephone, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (e) the preparation of accounting, management and other reports (including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns);
- (f) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes;
- (g) the calculation of the amount, and the determination of the frequency, of distributions by the Fund and the setting of any targeted level of annual distribution;
- (h) the handling of communications and correspondence with Unitholders and the preparation of notices of distributions to Unitholders;
- (i) the preparation and supervision of the publication of the Net Asset Value, NAV per Class A Unit and NAV per Class F Unit;
- (j) monitoring ongoing compliance with the Investment Objective, the Investment Strategies and the Investment Restrictions;
- (k) responding to investors' enquiries and general investor relations in respect of the Fund;
- (l) dealing with banks, rating agencies, custodians and subcustodians, including in respect of the maintenance of bank records and the negotiation and securing of bank financing or refinancing;
- (m) the setting of debt levels of the Fund, after reviewing the recommendation of the Investment Manager in respect thereof;
- (n) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof;
- (o) preparing the Fund's reports to relevant securities regulatory authorities and any similar organization of any government or the committee of any stock exchange to which the Fund is obligated to report and to otherwise assist the Trustee in dealing with any such regulatory authorities; and

- (p) organizing meetings of Unitholders; and
- (q) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund including maintenance of a website.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager has authority to manage the operations and affairs of the Fund and to make all decisions regarding the business of the Fund, and has authority to bind the Fund. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a prudent and qualified administrator. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the Fund's affairs except in accordance with the provisions of the Declaration of Trust.

The Manager has coordinated the organization of the Fund, will work to develop and implement all aspects of the communications, marketing and distribution strategies of the Fund and will manage the ongoing business and administration of the Fund. The Manager will be responsible for ensuring that the proceeds of the Offering are invested as described under "Use of Proceeds" and will monitor the compliance of the Investment Manager with the Investment Strategies and the Investment Restrictions, but will not participate in the day-to-day management of the Portfolio. Funds of the Manager will not be intermingled with those of the Fund.

In consideration for these services, the Fund will pay to the Manager the Management Fee. The Fund will, in addition to the Management Fee, pay all of the Manager's expenses incurred in connection with its duties as the Manager. See "Fees and Expenses – Management Fee" and "Fees and Expenses - Ongoing Expenses".

The Management Agreement may be terminated by the Fund on 90 days written notice by the Trustee, on behalf of the Fund, to the Manager in the event of the breach by the Manager of its duties or obligations under the Management Agreement and such breach has not been cured within 20 Business Days after such notice. The Management Agreement may be terminated immediately in the event of the commission by the Manager of any fraudulent act, and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may resign on 20 Business Days written notice to the Trustee if the Fund is in breach or default of the provisions of the Management Agreement and, if capable of being cured, such breach or default has not been cured by the Trustee on behalf of the Fund within 20 Business Days notice of such breach or default to the Trustee.

In the event that the Manager resigns or is terminated as described above, the Trustee shall promptly appoint a successor manager to carry out the activities of the Manager until a meeting of the Unitholders is held to confirm such appointment by Special Resolution. The termination or resignation of the Manager will only become effective upon the appointment of a replacement manager. If, within 20 Business Days from the termination of the Manager, the Trustee has not appointed a replacement manager, the Fund will be terminated. In the event that the Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period.

The principals of the Manager, Messrs Latoski and Evans, are principals of various entities within the Sunstone group that provide services similar to those to be provided by the Manager. The services provided by the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager or any of its affiliates from providing similar services to other investment funds or clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. Where the Manager or its affiliates otherwise perceive in the course of business, that they are or may be in a material conflict of interest position, the matter will be referred to the IRC. The IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible.

The Investment Manager

The Fund has engaged Morguard Financial Corp. to provide investment advisory and portfolio management services to the Fund. The Investment Manager together with its affiliates has managed both direct and securitized real estate for over 30 years in a variety of mandates across North America, and presently manages over \$100 million in both the debt and equity of REITs and real estate operating companies. See “Investment Strategies – The Investment Manager” for a more detailed description of the Investment Manager’s experience and track record.

The principal office of the Investment Manager is 1 University Avenue, Suite 1400, Toronto, Ontario M5J 2P1. The location of records is 55 City Centre Drive, Suite 800, Mississauga, Ontario L5B 1M3.

Directors and Principal Officers of the Investment Manager

The name, municipality of residence, and position held by each director and principal officer of the Investment Manager are set out below:

NAME AND MUNICIPALITY OF RESIDENCE	POSITION WITH THE INVESTMENT MANAGER	PRINCIPAL OCCUPATION
Antony K. Stephens Toronto, Ontario	Director and President	Vice-Chairman, Morguard Investments Limited
Charles Dillingham Mississauga, Ontario	Director and Vice President	Vice-President and Portfolio Manager of the Investment Manager
K. Rai Sahi Mississauga, Ontario	Director	Chairman and Chief Executive Officer, Morguard Corporation
Paul Miatello Toronto, Ontario	Vice President	Chief Financial Officer, Morguard Corporation
Beverly G. Flynn Toronto, Ontario	Secretary	General Counsel and Secretary, Morguard Corporation
Pamela McLean Mississauga, Ontario	Treasurer	Senior Vice President, Finance and CFO of Morguard Investments Limited
Derek Warren Mississauga, Ontario	Assistant Portfolio Manager	Assistant Portfolio Manager of the Investment Manager

Antony K. Stephens - Mr. Stephens is President of Morguard Financial Corp., Vice Chairman of Morguard Investments Limited and a trustee of Morguard Real Estate Investment Trust. Mr. Stephens has more than 40

years experience in the real estate industry and has been associated with Morguard or its predecessor companies for over 30 years. He joined MEPC Canadian Properties in 1967 and Morguard in 1977 when it acquired MEPC. Throughout his tenure at Morguard he has served as President and Chief Executive Officer of Morguard Investments, President and Chief Executive Officer of Morguard Real Estate Investment Trust and President of Revenue Properties Company Limited.

Charles Dillingham - Mr. Dillingham is Vice President and Portfolio Manager of the Investment Manager. Mr. Dillingham is an investment professional with over 30 years of experience managing a broad mandate of investments with a specialty in direct and securitized real estate. In his 16 years as Director and Senior Vice President, Investments of two of Canada's larger pension plans, Mr. Dillingham developed significant experience regarding the value of real estate within a diversified portfolio. Mr. Dillingham joined the Investment Manager in 1997 to use his real estate securities expertise. Mr. Dillingham is regularly invited to guest on the Business News Network (BNN). In 2009 he was identified as one of 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International.

K. Rai Sahi - Mr. Sahi is Chairman and Chief Executive Officer of Morguard Corporation. Mr. Sahi is a Certified General Accountant Fellow and has over 30 years of business experience in public and private corporations including extensive experience in investing, financial reporting, standards, and policy covering a broad range of industries including insurance, commercial banking, manufacturing, transportation and automotive as well as real estate. Mr. Sahi is President and Chief Executive Officer of Morguard Real Estate Investment Trust and Chairman and Chief Executive Officer of Morguard Investments Limited and ClubLink Enterprises Limited and has been named "Turnaround Entrepreneur of the Year" (1994) and been featured in the book "Who Owns Canada Now", a discussion of Canada's economic leaders.

Paul Miatello - Mr. Miatello is Chief Financial Officer of Morguard Corporation. He has responsibility for financial reporting, strategic planning, budgeting, taxation, investor relations and capital market activities. Mr. Miatello has more than 15 years experience working with public and private real estate companies. Previously, Mr. Miatello was Controller at Royop Properties Corporation and, prior to that, was a Manager at PricewaterhouseCoopers LLP. Mr. Miatello holds a Chartered Accountant's designation.

Beverley G. Flynn - Ms. Flynn is General Counsel and Secretary of Morguard Corporation. She is responsible for legal, corporate governance and compliance and manages Morguard in-house legal transactions with a concentration in commercial real estate, banking and finance and securities. Prior to joining Morguard, Ms. Flynn was an associate with McMillan LLP in the public markets group. Ms. Flynn is a graduate of the Osgoode Hall Law School and Memorial University of Newfoundland.

Pamela McLean - Ms. McLean is Senior Vice President, Finance and Chief Financial Officer of Morguard Investments Limited. At Morguard, Ms. McLean has held positions of increasing responsibility in accounting and finance, which currently include finance and reporting for the commercial portfolio of Morguard's pension fund clients and affiliated companies as well as for Information Technology and National Programs & Quality Management. Ms. McLean holds a Chartered Accountants designation and is a member of REALPac's Accounting Committee.

Derek Warren - Mr. Warren is Assistant Portfolio Manager of the Investment Manager. Mr. Warren joined Morguard Investments Limited in 1998 where he assisted in the structuring of direct property transactions on behalf of Morguard's pension fund clients. Mr. Warren has a broad set of skills that has allowed him to be involved in various aspects of the parent company, including corporate governance, compliance, information systems, banking, reporting, and investor relations. Mr. Warren holds a Canadian Investment Manager (CIM) designation and is actively engaged in all aspects of the Investment Manager's research and analysis process. These include due diligence, financial and risk analysis, as well as all facets of corporate and regulatory compliance.

Details of the Investment Management Agreement

The Investment Manager will provide investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to an investment management agreement (the “**Investment Management Agreement**”) to be entered into on or prior to the closing of the Offering between the Manager, the Fund and the Investment Manager. Decisions regarding the purchase and sale of Portfolio securities and the execution of transactions for the Portfolio will be made by the Investment Manager, in accordance with and subject to the terms of the Investment Management Agreement and subject to compliance with the Fund’s Investment Objectives, Investment Strategies and Investment Restrictions, the Manager may not approve or reject any investments proposed by the Investment Manager. Subject to the terms of the Investment Management Agreement, the Investment Manager will implement the Investment Strategies for the Portfolio on an ongoing basis.

Under the Investment Management Agreement, the Investment Manager covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreement provides that the Investment Manager will not be liable in any way to the parties indemnified under the Investment Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the standard of care, diligence and skill set forth above. The Investment Management Agreement further provides that the Investment Manager will not be liable for any losses in the Net Asset Value if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Management Agreement, the Investment Manager and its officers, directors, employees, consultants or agents shall be indemnified, from the Fund Property, against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Management Agreement, unless any such indemnified person is finally adjudicated to have committed a breach or default of its obligations under the Investment Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person’s duties under the Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager will be responsible for any loss to the Fund that arises out of its failure to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Investment Management Agreement, unless terminated as described below, will continue until the termination of the Fund. See “Termination of the Fund”. The Investment Manager may terminate the Investment Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days’ notice; (ii) in the event that the Manager is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 Business Days’ notice thereof to the Manager; (iii) if there is a material change in the investment objectives, strategy and/or restrictions of the Fund to which the Investment Manager has not previously agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund or the Manager; (v) if the Fund or the Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or the Manager or a substantial portion of their respective assets; or (vi) if the assets of the Fund or the Manager become subject to seizure or confiscation by any public or governmental organization.

The Manager may terminate the Investment Management Agreement including in the following circumstances: (i) in the event that the Investment Manager is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 Business Days’ notice thereof to the Investment Manager; (ii) if there is a dissolution and commencement of winding-up of the Investment Manager; or (iii) if the Investment Manager becomes bankrupt or insolvent or makes a general

assignment for the benefit of the creditors or a receiver is appointed in respect of the Investment Manager or a substantial portion of its assets.

The Investment Management Agreement will not be subject to termination under clause (i) in the preceding paragraph if a material breach by the Investment Manager cannot be cured within 20 Business Days' notice thereof but the Investment Manager commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice. In addition, if the Investment Manager purchases or sells a security for the Portfolio or takes any other action with respect to the assets of the Portfolio that through inadvertence violates any investment strategy or restriction set forth in the Investment Management Agreement and the violation has or will have a material adverse effect on the Portfolio, then it will not be considered a material breach for purposes of the termination right in clause (i) in the preceding paragraph if the Investment Manager takes action that returns the Portfolio to compliance with such investment strategy or restriction within the cure period described above, as the same may be extended by agreement in writing by all the parties to the Investment Management Agreement.

In the event that the Investment Management Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor investment advisors to carry out the activities of the Investment Manager until a meeting of Unitholders is held to confirm such appointment.

The Investment Manager and its affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Investment Manager under the Investment Management Agreement are not exclusive and nothing in such agreement prevents the Investment Manager or any of its affiliates from providing similar services to other investment vehicles or clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. The Investment Manager's investment decisions for the Fund will be made independently of those made on behalf of its other clients or for its own investments. On occasion, however, the Investment Manager will make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Investment Manager, or any of its affiliates, are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. In this regard, the Investment Manager will generally endeavour to allocate investment opportunities to the Fund on a *pro rata* basis.

Conflicts of Interest

The principals of the Manager, Messrs Latoski and Evans, are principals of various entities within the Sunstone group that provide services similar to those described above under "Duties and Services to be Provided by the Manager" to real estate investment trusts and other investment entities established by Sunstone, some of which may be considered competitors of the Fund. The services to be provided to the Fund by the Manager are not exclusive to the Fund. The investment management services of the Investment Manager under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents the Investment Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Where the Manager, the Investment Manager or their affiliates, in the course of their respective businesses, are or may be in a conflict of interest, as determined pursuant to NI 81-107, the matter will be referred to the IRC by the Manager.

The Investment Manager is part of Morguard's comprehensive real estate group, which provides a full range of services including portfolio management, acquisitions, development, asset management, property management and research and valuation. As a result, it is possible that conflicts of interest could arise between the business of the Morguard group and the services provided to the Fund pursuant to the Investment Management Agreement. Similar potential conflicts of interest are currently addressed by the Investment Manager through existing internal policies and procedures as part of its ongoing compliance,

as a registered portfolio manager, with applicable securities laws including National Instrument 31-103 – *Registration Requirements and Exemptions* and NI 81-107. Notwithstanding such established policies and procedures, in the event the Manager or the Investment Manager are or may be in conflict of interest, as determined pursuant to NI 81-107, the matter will be referred to the IRC by the Manager.

Independent Review Committee

NI 81-107 requires all publicly offered investment funds, such as the Fund, to establish an independent review committee to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The IRC will be required to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions.

The members of the IRC are James M. Gilchrist, E. Randall (Randy) Cockrill and Antony (Tony) S. Kalla.

Mr. Gilchrist is a retired corporate tax executive. As the former senior tax executive with a Canadian chartered bank and Suncor Inc., he was active in the Canadian tax community. A founding member of the Petroleum Industry liaison committee with Revenue Canada he also served as a member of the Minister's Advisory Council on Tax Administration and the Revenue Canada Taxation Advisory Committee.

Mr. Cockrill is a real estate development, acquisition and financing consultant. He has 15 years experience in the commercial and industrial real estate sectors in both a corporate and consulting capacity, with direct experience in acquisitions and dispositions, leasing, planning, construction, and operations. Mr. Cockrill previously spent 13 years in the retail industry, rising to Director of Real Estate with REVY Home & Garden Inc. Mr. Cockrill holds a Bachelor of Arts from the University of British Columbia and a Masters of Divinity from Regent College.

Mr. Kalla has been a licensed commercial mortgage broker in British Columbia for the past 23 years and is a principal of Westbridge Mortgage Services Ltd. Mr. Kalla is also principal of his own real estate holding and management company, which has direct or joint venture interests in several properties in southwestern British Columbia and on Vancouver Island. Mr. Kalla holds a Bachelor of Commerce degree from the University of British Columbia.

The IRC will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.sunstoneadvisors.com, or at the Unitholder's request at no cost, by contacting the Manager at (604) 681-5959.

The members of the IRC will be paid an annual fee for serving on the IRC equal to \$10,000. The members of the IRC will be reimbursed for all expenses incurred by them in connection with acting as a member of the IRC.

The Trustee

Sunstone Investment Services Inc. is the Trustee of the Fund. The Trustee was incorporated on March 18, 2010 under the *Business Corporations Act* (British Columbia) under incorporation number BC0876488. Its head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. The Trustee is responsible for certain aspects of the day-to-day administration of the Fund as described in the Declaration of Trust.

The Trustee or any successor Trustee may resign upon 90 days written notice to Unitholders or may be removed with the approval of a Special Resolution of Unitholders called for such purpose with two or more persons present in person or by proxy representing not less than 5% of the Units then outstanding. The Manager may also remove the Trustee in certain circumstances, including certain bankruptcy and insolvency events, failing to satisfy the criteria required of any successor Trustee, as described below, a material increase in the fees charged by the Trustee, and in the event that the Manager determines, in its sole discretion, that it is in the best interest of the Fund to remove the Trustee. Any such resignation or removal shall become effective only on the appointment of a successor Trustee. The Manager may, upon the resignation or removal of the Trustee, appoint a successor Trustee, which must be a resident of Canada for purposes of the Tax Act and have undertaken in writing to discharge all of the obligations and responsibilities of the Trustee in the Declaration of Trust. If, after the resignation or removal of the Trustee, no successor has been appointed within 90 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent professional manager would exercise in comparable circumstances.

The Declaration of Trust provides that the Trustee will be indemnified out of the Fund Property in respect of any civil, criminal or administrative action or proceeding to which it, any of its officers or directors, or any officer or director of any of its affiliates, is made a party by reason of being or having been a Trustee or officer or director of the Trustee, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of his or her powers or duties under the Declaration of Trust. However, any such party will not be indemnified in respect of unpaid taxes or other governmental charges that result from his or her failure to act honestly and in good faith with a view to the best interests of the Fund, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, gross negligence or disregard of its obligations and duties or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent Trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

The directors and officers of the Trustee are the same as those of the Manager.

The Trustee will not receive fees from the Fund for acting as trustee of the Fund, and will be reimbursed by the Fund for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

Prime Broker and Custodian

NBCN Inc. (the “**Prime Broker**”), an indirect subsidiary of National Bank of Canada (the “**Bank**”), will provide margin account, custody and settlement services to the Fund with respect to the Portfolio Securities pursuant to a custodian and settlement services agreement (the “**Settlement Services**”).

Agreement”) to be entered into after the closing of the Offering between the Fund and the Prime Broker. Pursuant to the Settlement Services Agreement, the Prime Broker will open and maintain a trading account for the Fund to facilitate the trading in Portfolio Securities by the Fund, and will settle securities transactions executed by the Fund through third party brokers. In order to facilitate the Fund’s leverage, the Fund will be permitted to buy and sell Portfolio Securities through such account on margin, provided that the maximum principal amount available pursuant to such margin facility shall not exceed 25% of the Net Asset Value, determined at the time of borrowing. The Prime Broker will also act as custodian of the Portfolio Securities on behalf of the Fund.

The Prime Broker will provide monthly statements to the Fund with respect to transactions undertaken by the Fund. The Prime Broker may from time to time in its sole discretion enter into with the Fund spot or forward currency transactions or options to buy or sell currency subject to the terms of a separate agreement relating to foreign exchange transactions. The Fund will indemnify and hold the Prime Broker harmless against any costs, expenses and damages which the Prime Broker may suffer in connection with the Settlement Services Agreement and any transaction carried out under the Settlement Services Agreement. The Prime Broker may delegate the performance of any of its functions under the Settlement Services Agreement to its nominees, custodians or agents, provided that the Prime Broker will exercise reasonable skill, care and diligence in the selection of such nominees, custodians and agents.

The Settlement Services Agreement may be terminated by either party on five Business Days’ prior written notice, and will be terminated on the occurrence of an event of default, as described in the Settlement Services Agreement.

The Manager reserves the right to appoint another prime broker from time to time in its sole discretion. The Prime Broker’s principal place of business is in Toronto, Ontario.

Auditor

The auditors of the Fund are KPMG LLP, Chartered Accountants, 9th floor, 777 Dunsmuir Street, Vancouver, British Columbia V7Y 1K3.

Registrar and Transfer Agent

Computershare Investor Services Inc. will be appointed the registrar, transfer and distribution agent for the Units. The Registrar and Transfer Agent is located, and the register of Units is kept by the Registrar and Transfer Agent, in Vancouver, British Columbia.

Promoter

Sunstone has taken the initiative in organizing the Fund and accordingly may be considered to be a “promoter” of the Fund within the meaning of the securities legislation of certain provinces of Canada. Sunstone’s office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. Sunstone does not own any Units. Sunstone is not entitled to any fee from the Fund.

CALCULATION OF NET ASSET VALUE

Calculation of the Net Asset Value and the NAV per Unit

For reporting purposes other than financial statements, the Net Asset Value on a particular Business Day will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such Business Day. The Net Asset Value of each class of Units will be obtained by dividing that

portion of the Net Asset Value attributable to each class by the number of Units of that class which are outstanding at the time the calculation is made. That amount is known as the net asset value per Class A Unit (“NAV per Class A Unit”) or net asset value per Class F Units (“NAV per Class F Unit”). The Net Asset Value, NAV per Class A Unit and NAV per Class F Unit will be valued in Canadian dollars. The Net Asset Value will be calculated by the Manager as at the close of business on Thursday of each week, or if any Thursday is not a Business Day, then on the immediately preceding Business Day, and on the last Business Day of each month (a “Calculation Date”).

Valuation Policies and Procedures of the Fund

Unless otherwise required by law, the value of the assets held by the Fund is determined as follows:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to Unitholders of record on a date before the date as of which the Net Asset Value is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager shall have determined that any such asset is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager shall determine to be the reasonable value thereof;
- (b) the value of any security which is listed shall be determined by (a) in the case of a security which was traded on the day as of which the Net Asset Value is being determined, the closing sale price; (b) in the case of a security which was not traded on the day as of which the Net Asset Value is being determined, a price which is the average of the closing recorded bid and asked prices; or (c) if no bid or asked quotation is available, the price last determined for such security for the purpose of calculating the Net Asset Value. The value of interlisted securities shall be computed in accordance with directions laid down from time to time by the Manager; and provided however that if, in the opinion of the Manager, stock exchange or over the counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemptions of securities, the Manager may place such value upon such shares or securities as appears to the Manager to most closely reflect the fair value of such shares or securities;
- (c) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the predecessor in title of the Fund, shall be the lesser of (a) the value based on reported quotation in common use and (b) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Fund was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (d) the value of all assets of the Fund valued in terms of a currency other than Canadian currency and liabilities payable in a currency other than Canadian currency shall be translated to Canadian currency using the applicable rate of exchange as quoted by customary banking sources on the date of valuation;
- (e) the value of any futures contract or forward contract or swap shall be the gain or loss with respect thereto that would be realized if, on the date as of which the Net Asset Value is being determined, the position in the futures contract or the forward contract, as the case

may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying securities;

- (f) each transaction of purchase or sale of portfolio securities effected by the Fund shall be reflected in the computation of the Net Asset Value not later than the first computation of the Net Asset Value made after the date on which the transaction becomes binding;
- (g) the issue or redemption of Units of the Fund shall be reflected in the computation of the Net Asset Value not later than the next computation of the Net Asset Value made after the time of the issue or redemption of the Units of the Fund; and
- (h) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable.

The liabilities of the Fund include:

- (a) all bills and accounts payable;
- (b) all administrative expenses payable and/or accrued;
- (c) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- (d) all allowances authorized or approved by the Manager for taxes or contingencies; and
- (e) all other liabilities of the Fund of whatever kind and nature, except liabilities represented by outstanding units.

The Manager may suspend the calculation of the Net Asset Value when the right to redeem a Unit is suspended. See “Redemption of Units”. During any period of suspension there will be no calculation of the Net Asset Value and the Fund will not be permitted to issue or redeem any Unit. The calculation of the Net Asset Value will resume when trading in the securities held by the Fund resumes.

Reporting of Net Asset Value

The Fund will provide the Net Asset Value, NAV per Class A Unit and NAV per Class F Unit to the Unitholders on request, at no charge. Unitholders seeking the Net Asset Value, NAV per Class A Unit and NAV per Class F Unit may call the Manager at (604)-681-5959. The Fund will also make the Net Asset Value, NAV per Class A Unit and NAV per Class F Unit available on each Calculation Date on the Manager’s website at www.sunstoneadvisors.com.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a minimum of 2,000,000 Units and a maximum of 10,000,000 Units, at a purchase price of \$10.00 per Unit.

Units

The rights and obligations of the Unitholders are governed by the Declaration of Trust for the Fund made June 18, 2010 among the Trustee, the Manager as settlor, and all persons who become holders of Units as provided therein. The following is a summary of certain material provisions of the Declaration of Trust.

This summary does not purport to be complete and reference should be to the Declaration of Trust itself, a copy of which is available from the Trustee.

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Declaration of Trust.

Units

The Fund is an investment fund created by the Declaration of Trust under, and governed by, the laws of the Province of British Columbia. The Fund is authorized to issue an unlimited number of redeemable units of beneficial interest. Other than as described under “Securityholder Matters – Non-Resident Unitholders” each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

Each Unitholder is entitled to participate equally with respect to any and all distributions made by the Fund to the Unitholders, including distributions of net income and net realized capital gains, subject to an adjustment in a Unit’s proportionate share as a result of the date of first issue of a Unit in the first fiscal year of the Fund. On termination, the Unitholders of record are entitled to receive all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. See “Termination of the Fund”.

Classes of Units

This Prospectus qualifies the issuance of two classes of Units, Class A Units and Class F Units. Class A Units are available to all investors. Class F Units are intended for investors who have or who arrange to have fee-based accounts with a registered dealer. The Class F Units will not be listed on a stock exchange.

The Agents’ Commission payable on the sale of Class F Units is lower than for the Class A Units and no Service Fee is payable to the registered dealer of the holder of Class F Units. As a result, the NAV per Class F Unit will be higher than the NAV per Class A Unit. Distributions per Unit will be the same for Class A Units and Class F Units.

Holders of Class F Units may convert their Class F Units into Class A Units by delivering a notice and surrendering such Class F Units by 4:00 p.m. (Toronto time) on a Business Day to the Registrar and Transfer Agent. Any such Class F Units so surrendered shall be converted into Class A Units as of the close of business on the first Thursday (or if such Thursday is not a Business Day, the Business Day following such Thursday) that is at least two Business Days following the date on which such Class F Units were surrendered for conversion (the “**Conversion Date**”). For each Class F Unit so converted, a holder will receive a number of Class A Units equal to the NAV per Class F Unit as of the Conversion Date divided by the NAV per Class A Unit as of such date. No fractional Class A Units will be issued on a conversion of Class F Units, the number of Class A Units to be issued will be rounded down to the nearest whole Class A Unit.

On termination of the Fund, the holders of outstanding Class F Units and the holders of Class A Units, of record, are entitled to receive in proportion to their relative NAV per Unit all of the assets of the Fund remaining after payment of all debts and liabilities.

The Class F Units will not be listed on a stock exchange. It is expected that the primary source of liquidity for the Class F Units will be by way of their conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX.

Although subscription proceeds received from investors will be tracked by the Fund on a class-by-class basis in the Fund's records, the assets of all classes of Units of the Fund are combined into a single pool to create one portfolio for investment purposes.

Additional Units

The Fund will be permitted to issue additional Units following completion of the Offering provided however that in the absence of Unitholder approval by Special Resolution the net proceeds per Unit to be received by the Fund shall not be less than the most recently calculated NAV per Unit prior to the pricing of such issuance.

Principal Class of Units

Although the Fund will offer two or more classes of Units, the Class A Units will be the Fund's principal class of Units and, accordingly, the Fund will limit the amount of issued and outstanding Class F Units and, if other classes of units of the Fund are authorized by the Fund, such other classes of Units. In particular, pursuant to the Declaration of Trust, at all times:

- (a) the number of the issued and outstanding Class A Units must be greater than the number of the issued and outstanding units of the Fund of all other classes (including Class F Units), and
- (b) the total fair market value of the issued and outstanding Class A Units must be greater than the total fair market value of the issued and outstanding units of the Fund of all other classes (including Class F Units).

The Fund will meet these objectives initially by limiting the number of Class F Units issued under this Offering. In addition, where the Trustee subsequently believes, in its sole discretion, that reducing the number of Class F Units, or of Units of any other class (other than Class A Units), is necessary to ensure that the foregoing conditions are not violated, the Trustee may force a redemption, exchange or re-designation of Class F Units (or of units of the Fund of a class other than Class A Units).

Distributions

The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month. Distributions will be paid within 15 days following the end of each month for which a distribution is declared. The Fund may also make additional distributions in excess of monthly distributions during the year, as the Manager may determine.

Distributions shall be made by cheque payable to or to the order of the Unitholder or by electronic fund transfer or by such other manner of payment approved by the Manager from time to time. The payment, if made by cheque, shall be conclusively deemed to have been made upon hand-delivery of a cheque to the Unitholder or to his agent duly authorized in writing or upon the mailing of a cheque by prepaid first-class mail addressed to the Unitholder at his address as it appears on the register of Unitholders unless the cheque is not paid on presentation. The Manager may issue a replacement cheque if it is satisfied that the original cheque has not been received or has been lost or destroyed upon being furnished with such evidence of loss, indemnity or other document in connection therewith that they may in their discretion consider necessary.

The Manager shall deduct or withhold from distributions payable to any Unitholder all amounts required or permitted by law to be withheld from such distribution and the Fund shall remit such taxes to the appropriate governmental authority within the times prescribed by law. Unitholders who are non-

residents of Canada within the meaning of the Tax Act will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. In the event of a distribution in the form of additional Units, the Manager may sell Units of such Unitholder to pay the withholding taxes and to pay all of the Manager's reasonable expenses with regard thereto and the Manager shall have the power of attorney of such Unitholder to do so. Any such sale shall be made on any stock exchange on which the Units are then listed and upon such sale, the affected Unitholder shall cease to be the holder of such Units. In the event that the Manager elects to not sell Units of such Unitholder, the Manager may cause the Units of such Unitholders to be redeemed and to apply the proceeds from such redemption to payment of the withholding taxes.

If the Manager determines that the Fund does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Manager to be available for the payment of such distribution. Immediately after such a distribution of Units, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. Subject to the foregoing, the Fund may also allot and issue other securities at such time or times and in such manner as the Manager in its sole discretion shall determine, provided that such issuance is not dilutive to the Unitholders.

Each distribution declared pursuant to the Declaration of Trust constitutes a binding obligation of the Fund on the date so declared. Consequently, a Unitholder holding Units can demand a payment of a declared distribution on the Distribution Payment Date and upon receipt of such demand the Fund must pay that amount to the Unitholder forthwith.

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the Fund, such period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

On the last day of each taxation year, the following amount shall be automatically payable to Unitholders of record at the close of business on such day (whether or not such day is a Business Day): an amount equal to the net income of the Fund for such taxation year, determined in accordance with the provisions of the Tax Act other than paragraph 82(1)(b) and subsection 104(6) thereof, including net realized capital gains plus the non-taxable portion of net realized capital gains realized by the Fund, other than:

- (a) capital gains, which may be offset by capital losses carried forward from prior years or, if not so offset, the tax on which is recoverable by the Fund;
- (b) income, which may be offset by non-capital losses, if any, carried forward from prior years; and
- (c) net income and net realized capital gains of the Fund for the taxation year otherwise distributed or made payable to the Unitholders during such year.

The Manager may designate for tax purposes capital gains realized by the Fund as a result of the redemption of Units as being paid to the redeeming Unitholders, with the result that the taxable portion of such gains may generally be deductible by the Fund.

Due to the different Agents' Commissions payable on Class A Units and Class F Units and that the Service Fee is only payable in respect of Class A Units, the NAV per Class A Unit and NAV per Class F Unit will

differ. Accordingly, to the extent that the Unitholders holding Class A Units will bear a higher proportion of Agents' Commissions and Management Fee than Unitholders holding Class F Units, distributions to Unitholders of Class A Units will, for income tax purposes, constitute returns of capital rather than income (including net realized taxable capital gains).

Distributions payable to Unitholders pursuant to the Declaration of Trust shall be deemed to be distributions of income of the Fund (including dividends), net realized taxable capital gains of the Fund, return of capital or other items in such amounts as the Manager, in its absolute discretion determines and shall be allocated to the Unitholders of each class of Units in the same proportions as distributions received by the other Unitholders of such class of Units, subject to the discretion of the Manager to adopt an allocation method which the Manager considers to be more reasonable in the circumstances. For greater certainty, any distribution of net realized capital gains of the Fund shall include the non-taxable portion of the capital gains of the Fund which are included in such distribution.

SECURITYHOLDER MATTERS

The following description of the Declaration of Trust does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Declaration of Trust.

Meetings of Unitholders

The Manager may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding, in aggregate, 15% or more of the Units outstanding. Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by an Ordinary Resolution. A quorum for any meeting convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another time selected by the Manager and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

- (a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by policies of the securities regulatory authorities or other applicable laws and regulations in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;
- (b) subject to the requirements for a Special Resolution, any matter or thing stated in the Declaration of Trust to be required to be consented to or approved by the Unitholders; and
- (c) any matter which the Manager considers appropriate to present to the Unitholders for their confirmation or approval.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Each of the following actions requires approval by Special Resolution, the terms of which shall specify the date upon which the proposed action shall be undertaken and the party who shall undertake the action:

- (a) the amendment of the Declaration of Trust (except as provided under “Amendments to the Declaration of Trust” below) or changes to the Fund, including changes to the investment objectives or investment restrictions of the Fund;
- (b) the removal of the Trustee or Manager;
- (c) the appointment of a new trustee or manager, as applicable;
- (d) a reduction in the amount payable on any outstanding Units upon liquidation of the Fund;
- (e) an increase in the liability of any Unitholders; or
- (f) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Notwithstanding the above or any other provision of the Declaration of Trust, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the Trustee, except with the prior written consent of the Trustee.

Amendments to the Declaration of Trust

Pursuant to the Declaration of Trust, the Manager is entitled, without the consent of the Unitholders, to make all such amendments to the Declaration of Trust as the Manager believes are necessary or desirable for the purpose of (i) making any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein, (ii) amending the existing provisions or adding any provisions which are for the protection or benefit of the Unitholders, (iii) curing an ambiguity or correcting any administrative difficulty in the Declaration of Trust, (iv) supplementing any provision which may be defective or inconsistent with another provision, (v) maintaining the status of the Fund as a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof, (vi) complying with applicable law including the rules and policies of Canadian securities regulatory authorities, (vii) conforming the Declaration of Trust with current market practice within the securities or investment funds industries, and (viii) changing the name of the Fund.

The Manager may also amend the Declaration of Trust without the consent of the Unitholders for the purpose of removing any conflicts or other inconsistencies which may exist between the Declaration of Trust and applicable law, changing the Fund’s taxation year-end as permitted under the Tax Act or providing the Fund with the right to acquire Units from any Unitholder for the purpose of maintaining the status of the Fund as a “mutual fund trust” for purposes of the Tax Act.

Any amendments made by the Manager without the consent of Unitholders must be disclosed in the next regularly scheduled report to Unitholders. Such amendments may be made only if they will not materially adversely affect the interest of any Unitholder.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of Fund performance) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

The Fund will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Unitholders, the Fund will provide to Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Unitholders.

Accounting and Reporting

The Fund's fiscal year will be the calendar year. The annual financial statements of the Fund shall be audited by the Fund's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

Non-Resident Unitholders

At no time may persons who are non-residents of Canada or partnerships which are not "Canadian partnerships" for the purposes of the Tax Act (or any combination thereof) ("non-residents") be the beneficial owners of a majority of the Units (calculated on a number of Units or on a fair market value basis) and the Manager shall inform the Registrar and Transfer Agent of this restriction. The Manager may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (calculated on a number of Units or on a fair market value basis) are, or may be, non-residents, or that such a situation is imminent, the Manager may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident. If the Manager determines that 45% or more of the Units then outstanding (calculated on a number of Units or on a fair market value basis) are beneficially held by non-residents, the Manager shall send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such other manner as the Manager may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than 10 Business Days to residents of Canada or partnerships which are "Canadian partnerships" for the purposes of the Tax Act. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, dispose of such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such disposition, the affected Unitholders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of disposition of such Units. Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any

such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. Pursuant to the Declaration of Trust, the Fund will terminate on the date specified in a Special Resolution of Unitholders calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Declaration of Trust also provides that:

- (a) in the event that the Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period; and
- (b) the Manager may, in its discretion, terminate the Fund without the approval of the Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so.

The Manager will provide notice of such termination upon at least 30 days notice to Unitholders of the termination date by way of press release.

The Declaration of Trust provides that prior to the termination of the Fund, the Manager will dispose of all of the Fund's assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of the Fund's assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so. Upon termination, the Declaration of Trust provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any termination date, such unliquidated assets *in specie* rather than in cash. Following such distribution, the Fund will be dissolved.

USE OF PROCEEDS

The net proceeds from the Minimum Offering (after payment of the Agents' Commission and the expenses of the Offering) are estimated to be approximately \$18,450,000. The net proceeds from the Maximum Offering (after payment of the Agents' Commission and the expenses of the Offering) are estimated to be approximately \$94,250,000, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the Maximum Offering, the net proceeds to the Fund are estimated to be approximately \$108,462,500 after payment of the Agents' Commission and the expenses of the Offering. The net proceeds of the Offering, including any net proceeds from the exercise of the Over-Allotment Option, will be used to invest in the Portfolio in accordance with the Investment Objectives, Investment Strategies and Investment Restrictions of the Fund described in this Prospectus.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to offer up to a maximum of 10,000,000 Units at a price of \$10.00 per Unit for sale on a "commercially reasonable best efforts" basis until July 5, 2010 or such later date as may be agreed by the Agents, in consideration of the Agents' Commission equal to 5.25% of the aggregate purchase price of the Class A Units sold under the Offering and equal to

equal to 2.25% of the aggregate purchase price of the Class F Units sold under the Offering. Purchasers are required to acquire a minimum of 200 Class A Units or 1,000 Class F Units.

There will be no closing unless a minimum of 2,000,000 Units are sold. The distribution under this Offering will not continue for a period of more than 90 days after the date of the Receipt for the Final Prospectus if subscriptions representing the minimum number of Units are not obtained within that period, unless each of the persons or companies who subscribed within that period consents to the continuation. During such 90-day period, funds received from subscriptions will be held by the Agents in trust.

The Agents reserve the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed dealers, brokers and investment dealers (“sub-agents”), who may or may not be offered part of the commissions to be received by the Agents pursuant to the Agency Agreement.

The Manager will pay an annual Service Fee to each full service registered dealer in respect of each Class A Unit held by clients of such dealer, in an amount equal to 0.4% of the NAV per Class A Unit. The Service Fee will be payable quarterly in an amount equal to one-quarter of 0.4% of the NAV per Class A Unit (calculated as of the last day of each calendar quarter), multiplied by the aggregate number of Class A Units held by all clients of such registered dealer as of the last day of such quarter and paid as soon as practical after the end of the applicable calendar quarter, plus any applicable taxes. No Service Fee is payable in respect of Class F Units.

The Fund has granted to the Agents the Over-Allotment Option, exercisable in whole or in parts for a period of 30 days from Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the closing of the Offering on the same terms as set forth above, solely to cover over-allotments, if any.

The obligations of the Agents under the Agency Agreement may be terminated at any time by the Lead Agent, acting reasonably, on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, the Agents do not beneficially own, directly or indirectly, any securities of the Fund.

Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

The price to the public of Units was determined by negotiation between the Lead Agent and the Fund. No third-party valuation was obtained.

Registration and transfers of Units will be effected only through the book entry only system administered by CDS. A book entry only certificate representing the Units will be issued in registered form only to CDS or its nominee, and will be deposited with CDS on the closing of the Offering. A purchaser of Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities.

Registration and transfers of the Units will be effected by the Registrar and Transfer Agent.

RELATIONSHIP BETWEEN INVESTMENT FUND AND AGENTS

Steven Repstock, who is the Chief Compliance Officer of the Manager, owns 0.93% of the outstanding shares in the capital of Sora Group Wealth Advisors Inc. (“SGWA”), which is one of the Agents, and is employed as Manager, Investments and Research of SGWA. As such, the Fund may be considered to be a connected issuer of SGWA. SGWA was not involved in the decision by the Fund to offer the Units pursuant to this Prospectus nor in the determination of the terms of the Offering. The Offering was not required, suggested or consented to by SGWA. Except to the extent that SGWA may receive a portion of the sales fees payable to Agents as a result of sales of Units by SGWA, proceeds from the Offering will not be applied for the benefit of SGWA. Except to the extent that SGWA may receive a portion of the Service Fee payable to Agents as a result of sales of Units by SGWA, SGWA will not receive any portion of the Management Fee payable to the Manager.

INTEREST OF THE MANAGER AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive fees from the Fund for its services and will be reimbursed by the Fund for all reasonable expenses and liabilities incurred in connection with the operation and management of the Fund. See “Fees and Expenses”.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The proxies associated with securities held by the Fund will be voted by the Manager in the best interests of Unitholders. The Manager considers the “best interests” of Unitholders to mean their best long-term economic interests. The Manager maintains detailed guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. The current proxy voting policies and procedures of the Manager are available to Unitholders on request, at no cost, by calling (604) 681-5959 or can be obtained on the web at www.sunstoneadvisors.com.

The voting rights attached to securities held by the Fund will be executed in accordance with the Fund’s proxy voting guidelines, which are as follows:

The Fund views the long-term economic best interest of the investors in the Fund as the key consideration when voting proxies of portfolio companies. Since the Fund will follow an investment discipline that includes investing in companies that are believed to have strong management teams, it will generally support the management of the real estate operating companies and REITs in which the Fund invests, and will accord proper weight to the positions of a company’s board of directors. Therefore, in most circumstances, votes will be cast in accordance with the recommendations of the company’s board of directors. However, as a general rule, the Fund will vote against any actions that would:

- (a) reduce the rights or options of shareholders;
- (b) reduce shareholder influence over the board of directors and management;
- (c) reduce the alignment of interests between management and shareholders; or
- (d) reduce the value of shareholders’ investments.

When casting a vote, the Fund will take into consideration all relevant facts and circumstances (including country specific considerations), and retain the right to vote proxies as deemed appropriate.

MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the Fund has entered into or will enter into prior to Closing. **Copies of these agreements are available for inspection during regular business hours at the offices of the Manager, located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.**

Particulars of Material Contracts

1. ***Declaration of Trust*** – described in “Description of the Securities Distributed – Units”.
2. ***Management Agreement*** – described in “Organization and Management Details of the Fund – Details of the Management Agreement”.
3. ***Investment Management Agreement*** – described in “Organization and Management Details of the Fund – Details of the Investment Management Agreement”
4. ***Agency Agreement*** – described in “Plan of Distribution”.
5. ***Settlement Services Agreement*** – described in “Organization and Management Details of the Fund – Prime Broker”.

There are no material contracts except as disclosed in this Prospectus or entered into in the ordinary course of the Fund’s businesses, all of which may be inspected at the registered office of the Trustee, 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1, during normal business hours while the Offering under this Prospectus is in progress, and for a period of thirty days thereafter.

EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, senior officer or employee of the Fund or of an associate of the Fund, or is a promoter of the or of any associate of the Fund.

Certain legal matters in connection with this Offering will be passed upon by Clark Wilson LLP, on behalf of the Fund, and by Blake, Cassels & Graydon LLP, on behalf of the Agents. As at the date hereof, 2010, partners and associates of Clark Wilson LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund and their respective associates and affiliates. As at the date hereof, 2010 partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund and their respective associates and affiliates.

KPMG LLP, as tax advisor to the Fund, and Blake, Cassels & Graydon LLP, on behalf of the Agents, have jointly prepared the summary of principal Canadian federal income tax considerations set out under the heading “Income Tax Considerations”. As at the date hereof, 2010 KPMG LLP beneficially owned, directly or indirectly, less than 1% in the outstanding securities of the Fund and their respective associates and affiliates. KPMG LLP is independent with respect to the Fund within the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides Purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a

prospectus and any amendment. In several of the provinces, securities legislation further provides a Purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that such remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the applicable province. The Purchaser should refer to the securities legislation in the province in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the prospectus of Morguard Sunstone Real Estate Income Fund (the Fund) dated June 18, 2010 relating to the sale and issue of Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustee of the Fund on the balance sheet of the Fund as at June 18, 2010. Our report is dated June 18, 2010.

(Firm Signature)

Chartered Accountants

Vancouver, Canada

June 18, 2010

FINANCIAL STATEMENTS

Statement of Net Assets of the

MORGUARD SUNSTONE REAL ESTATE INCOME FUND

June 18, 2010



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT TO THE TRUSTEE

We have audited the statement of net assets of the Morguard Sunstone Real Estate Income Fund as at June 18, 2010. This financial statement is the responsibility of the Fund's Manager. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the Fund's Manager, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the net assets of the Fund as at June 18, 2010 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Accountants

Vancouver, Canada
June 18, 2010

MORGUARD SUNSTONE REAL ESTATE INCOME FUND

Statement of Net Assets

June 18, 2010

Assets

Cash	\$	10
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Net Assets

Net assets, representing trust equity	\$	10
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See accompanying notes to statement of net assets.

Approved by Sunstone Investment Management Inc. in its capacity as Manager:

"Steve Evans" Director
Steve Evans

"Darren Latoski" Director
Darren Latoski

MORGUARD SUNSTONE REAL ESTATE INCOME FUND

Notes to the Statement of Net Assets

June 18, 2010

1. Incorporation and operations:

Morguard Sunstone Real Estate Income Fund (the Fund) is an investment trust established under the laws of the Province of British Columbia and governed by a declaration of trust dated June 18, 2010 (the Declaration of Trust). The trustee of the Fund is Sunstone Investment Services Inc. (the Trustee), which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 18, 2010. The manager of the Fund is Sunstone Investment Management Inc. (the Manager), which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 16, 2010. The investment manager of the Fund is Morguard Financial Corp. (the Investment Manager), which was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 17th, 1997.

The Fund's investment objectives are to provide unitholders with the opportunity for (i) stable monthly distributions and (ii) long-term capital appreciation, through investment in a diversified portfolio of publicly traded real estate securities that is actively managed by real estate professionals. The Fund will focus on the publicly traded securities of Canadian and United States real estate investment trusts (REITs) and real estate operating companies and the companies that provide services to them and, to a lesser extent, bonds, convertible debentures and similar fixed-income securities, and securities of foreign issuers.

2. Trust equity:

Trust equity represents the initial capital contribution to the Fund made by the Trustee on June 18, 2010 of \$10.

The Fund is authorized to issue an unlimited number of redeemable units of beneficial interest. Other than non-resident unitholders, each unit entitles the unitholder to the same rights and obligations as any other unitholders and no unitholder is entitled to any privilege, priority or preference in relation to any other unitholders. Non-resident unitholders may not be the beneficial owners of a majority of the units (on a number of units or fair market value basis).

Each unitholder is entitled to participate equally with respect to any and all distributions made by the Fund to the unitholders, including distributions of net income and net realized capital gains, subject to an adjustment in a unit's proportionate share as a result of the date of first issue of a unit in the first fiscal year of the Fund.

The Fund is offering two classes of units, Class A units and Class F units. Class A units are available to all investors. Class F units are intended for investors who have or who arrange to have fee-based accounts with a registered dealer.

The agents' fee payable on the sale of Class F units is lower than for the Class A units and no service fee is payable to the registered dealer of the holder of Class F units. As a result, the net asset value per Class F Unit will be higher than the net asset value per Class A unit.

MORGUARD SUNSTONE REAL ESTATE INCOME FUND

Notes to the Statement of Net Assets

June 18, 2010

2. Trust equity (continued):

Holders of Class F units may convert their Class F units into Class A units at specified times as noted in the prospectus. For each Class F unit so converted, a holder will receive a number of Class A units equal to the net asset value per Class F unit as of the conversion date divided by the net asset value per Class A unit as of the date of conversion. No fractional Class A units will be issued on a conversion of Class F units, the number of Class A units to be issued will be rounded down to the nearest whole Class A unit.

On termination of the Fund, the holders of outstanding Class F units and the holders of Class A units, of record, are entitled to receive in proportion to their relative net asset value per unit all of the assets of the Fund remaining after payment of all debts and liabilities.

The Class F units will not be listed on a stock exchange. It is expected that the primary source of liquidity for the Class F units will be obtained by means of conversion into Class A units and the sale of those Class A units through the facilities of the TSX.

Although subscription proceeds received from investors will be tracked by the Fund on a class-by-class basis in the Fund's records, the assets of all classes of units of the Fund are combined into a single pool to create one portfolio for investment purposes.

3. Management and other services:

The expenses of the Offering, which are not to exceed 1.5% of the gross proceeds of the Offering, together with the agents' fee, will be paid by the Fund from the proceeds of the Offering. The Fund will pay the agents a fee of \$0.525 per Class A unit and \$0.225 per Class F unit sold by the agents.

The Fund will pay the Manager an annual fee in an amount equal to 1.25% of the net asset value, calculated daily and payable monthly in arrears, plus an amount equal to the service fee plus taxes. The annual service fee will be paid by the Manager to each full service registered dealer in respect of each Class A unit held by clients of such dealer, in an amount equal to 0.4% of the net asset value per Class A unit. No service fee is payable in respect of Class F units.

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

DATED: June 18, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador.

**MORGUARD SUNSTONE REAL ESTATE INCOME FUND
by its Trustee, Sunstone Investment Services Inc.**

"Darren Latoski"
Darren Latoski,
President and Chief
Executive Officer

"Steve Evans"
Steve Evans
Secretary and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Darren Latoski"
Darren Latoski, Director

"Steve Evans"
Steve Evans, Director

**MANAGER
Sunstone Investment Management Inc.**

"Darren Latoski"
Darren Latoski,
President and Chief
Executive Officer

"Steve Evans"
Steve Evans
Secretary and Chief Financial Officer

**PROMOTER
Sunstone Realty Advisors Inc.**

"Darren Latoski"
Darren Latoski,
President and Acting Chief
Executive Officer

"Steve Evans"
Steve Evans
Secretary and Acting Chief Financial Officer

CERTIFICATE OF THE AGENTS

DATED: June 18, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador.

NATIONAL BANK FINANCIAL INC.

Per: "Tim D. Evans"
Tim D. Evans

CIBC WORLD MARKETS INC.

Per: "Michael D. Shuh"
Michael D. Shuh

RBC DOMINION SECURITIES INC.

Per: "Edward V. Jackson"
Edward V. Jackson

DUNDEE SECURITIES CORPORATION

Per: "Onorio Lucchese"
Onorio Lucchese

BMO NESBITT BURNS INC.

Per: "Robin G. Tessier"
Robin G. Tessier

SCOTIA CAPITAL INC.

Per: "Brian D. McChesney"
Brian D. McChesney

TD SECURITIES INC.

Per: "Cameron Goodnough"
Cameron Goodnough

CANACCORD GENUITY CORP.

Per: "Justin Bosa"
Justin Bosa

GMP SECURITIES L.P.

Per: "Neil Selfe"
Neil Selfe

HSBC SECURITIES (CANADA) INC.

Per: "Brent Larkan"
Brent Larkan

MACQUARIE CAPITAL MARKETS CANADA LTD.

Per: "Mike MacKasey"
Mike MacKasey

RAYMOND JAMES LTD.

Per: "J. Graham Fell"
J. Graham Fell

DESJARDINS SECURITIES INC.

Per: "Beth Shaw"
Beth Shaw

MANULIFE SECURITIES INCORPORATED

Per: "David MacLeod"
David MacLeod

SORA GROUP WEALTH ADVISORS INC.

Per: "Brad Miller"
Brad Miller

WELLINGTON WEST CAPITAL MARKETS INC.

Per: "Kevin Hooke"
Kevin Hooke

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