

SUNSTONE OPPORTUNITY FUND (2004) LIMITED PARTNERSHIP
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006

The following management discussion and analysis of the financial condition and results of operations prepared February 28, 2007 should be read together with the Sunstone Opportunity Fund (2004) Limited Partnership (“Sunstone (2004) LP”) audited financial statements and notes thereto for the year ended December 31, 2006. All financial information is reported in Canadian dollars and in accordance with Canadian generally accepted accounting principles unless otherwise noted.

This discussion may contain forward-looking statements which are based on our expectations, estimates and forecasts. These statements are subject to risks and uncertainties that are difficult to predict or control. These risks and uncertainties could cause actual results to differ materially from those indicated. Readers should not place undue reliance on any such forward-looking statements.

Additional information about Sunstone (2004) LP filed with Canadian securities commissions is available on-line at www.sedar.com.

1. DESCRIPTION OF BUSINESS

Sunstone (2004) LP was established by the General Partner, Sunstone Advisors (Canada) Inc., for the purpose of owning and operating a diversified portfolio of high quality income producing residential and/or commercial real estate properties in Canada. The majority of Sunstone (2004) LP’s investments were made in existing, operating properties and a small minority of investments, not to exceed 15% of the portfolio, may be made in real estate development opportunities.

An investment in Sunstone (2004) LP is intended to provide purchasers (“Investors”) with the opportunity to receive cash flow from the ongoing operation of the income producing properties (“Properties”) and the potential to realize long-term capital appreciation.

Sunstone (2004) LP and SRAI Capital Corp. (“SRAI”), a subsidiary of Knightswood Financial Corp., obtained capital from Investors by selling \$12,500 units consisting of:

- Part 1 – the price of one Sunstone (2004) LP Unit (“LPU”).....\$2,500
- Part 2 – the principal amount of one Series B Debenture issued by SRAI, maturing on October 31, 2009 bearing interest at a rate of 9.95% per annum.....\$10,000

SRAI loaned to Sunstone (2004) LP, by way of a debenture debt, an amount equal to the net proceeds received by SRAI from subscriptions for the Series B Debentures, that is, gross proceeds of \$10,000 per debenture minus SRAI’s pro rata share of offering costs.

Sunstone (2004) LP invested the loan proceeds together with LPU net proceeds (gross proceeds of \$2,500 per LPU minus a pro rata share of offering costs), in a diversified portfolio of quality residential and/or commercial Properties that:

- generates positive annual cash flows from operations to cover debenture debt interest and other expenses incurred by Sunstone (2004) LP; and,
- has potential for long-term capital appreciation due to factors such as rental revenue growth, market growth and value-added capital enhancements.

Upon investment of all the proceeds, Sunstone (2004) LP provides quarterly cash flow distributions to Investors targeted at 9% of the \$2,500 LPU on an annual basis.

2. SELECTED ANNUAL INFORMATION
Units Subscribed and Issued

An initial public offering prospectus contemplating the issue of a minimum of 400 Units to a maximum of 2,000 Units was issued on October 25, 2004.

The initial public offering was closed on December 20, 2004; the gross proceeds raised were \$13,075,000 and a total of 1,046 Units were issued. The net proceeds of \$11,579,426 [see Table 1.1] were used to purchase the Property portfolio, which is expected to generate positive cash flows for distributions to the Sunstone (2004) LP unit holders after coverage of:

- debenture debt interest (see below) and
- any other expenses incurred by the Sunstone (2004) LP.

The details regarding each of the two closings' units and equity-debenture split are provided in Table 1.1.

Proceeds of Offering – Gross and Net

Table 1.1

Date of Closing	Units	Limited Partnership Equity	SRAI Debenture Proceeds	Gross Proceeds
November 15, 2004	503	\$ 1,257,500	\$ 5,030,000	\$ 6,287,500
December 20, 2004	543	1,357,500	5,430,000	6,787,500
Gross proceeds	1,046	2,615,000	10,460,000	13,075,000
Issuance costs		(425,163)	(1,070,411)	(1,495,574)
Net proceeds	1,046	\$ 2,189,837	\$ 9,389,589	\$ 11,579,426

Debenture Debt

Sunstone (2004) LP received a 9.95% debenture debt in the amount of \$9,382,600 [see Table 1.2] from SRAI and signed a promissory note to that effect. Interest is due quarterly and the principal is due on October 31, 2009.

9.95% Debenture Debt Issued by SRAI

Table 1.2

SRAI Series B Debenture proceeds [Table 1.1]	\$	10,460,000
Pro rata share of issuance costs [Table 1.1]		(1,070,411)
Other costs		(6,989)
SRAI's costs		(1,077,400)
9.95% Debenture Debt issued to Sunstone (2004) LP	\$	9,382,600
50% of Debenture Debt repaid August 23, 2006	\$	(4,691,300)
9.95% Debenture Debt as at December 31, 2006	\$	4,691,300

2. SELECTED ANNUAL INFORMATION (CONTINUED)**Income Producing Properties Owned**

See Table 1.5 for a summary of properties owned by the Limited Partnership.

- **1425 Kebet Way**

1425 Kebet Way, located in Port Coquitlam, British Columbia, is a 47,693 square feet concrete warehouse that was constructed in 1993, with an overall site area of 2.18 acres. The property was acquired January 2005 for a purchase price of \$3,765,187 plus standard closing costs and adjustments. The property was sold in May 2005 for \$4,570,000 less standard closing costs and adjustments, including third party real estate commission. Sunstone (2004) LP realized a gain of \$594,522 on this Property.

- **West Willow Shopping Centre**

West Willow Shopping Centre, located in Langley, British Columbia, is 70,074 square feet and was acquired in March 2005 at a cost of \$9,750,000 plus standard closing costs and adjustments. The centre has a total of 15 tenants and is anchored by a grocery store. West Willow was sold on July 28, 2006 for \$14,200,000 less standard closing costs and adjustments. Sunstone (2004) LP realized a gain of \$3,124,496 on this Property.

- **Scott Town Plaza**

Scott Town Plaza, located in Surrey, British Columbia, is 56,781 square feet, and was acquired in May 2005 for a purchase price of \$8,000,000 plus standard closing costs and adjustments. Scott Town Plaza is a shopping centre anchored by Pharmasave and Buy-Rite Foods, a successful grocery store chain.

Scott Town is well located on 120th Street (Scott Road), a major commercial artery which has daily traffic volumes in excess of 33,000 and is the boundary between Surrey to the east and Delta to the west. Surrey is one of the fastest growing cities in Canada and is the largest geographical municipality in the province, equal in size to Vancouver, Richmond and Burnaby combined.

- **Halton Hills Shopping Plaza**

In May 2005, Sunstone (2004) LP acquired Halton Hills Shopping Plaza, located in Ontario's Georgetown area, approximately 40 minutes northwest of Toronto, for a purchase price of \$8,650,000 plus standard closing costs and adjustments. Halton Hills is a 70,228 square feet shopping centre situated in the high-traffic commercial area of Georgetown. The centre is anchored by Food Basics, a successful grocery store chain, and includes TD Canada Trust, PetValu, Pita Pit and Dollarama.

The town of Halton Hills is increasingly becoming a regional centre within the Georgetown area and is experiencing significant residential development. The town has strong drawing power, bringing traffic from the surrounding areas of both Brampton and Burlington. The community is located near the intersection of Highway 401 and Highway 407, which provides ready access to Highway 403 and Queen Elizabeth Way.

- **Drumheller Shopping Centre**

In June 2005, Sunstone (2004) LP acquired Drumheller Shopping Centre in Drumheller, Alberta, for a purchase price of \$2,335,000 plus standard closing costs and adjustments. Drumheller is a 10,537 square feet shopping centre with three tenants: A&W Restaurants, Alberta Treasury Branches and VHQ Entertainment (Video Headquarters, which was recently acquired by Movie Gallery). The site has great exposure to traffic flow from Highway 10 and the downtown core. The Centre is located in the new "South Side" business district, adjacent to tenants such as IGA, McDonalds, Country Style Donuts, Super 8 Motel and Canadian Tire.

2. SELECTED ANNUAL INFORMATION (CONTINUED)

- **Drumheller Shopping Centre**

Drumheller is located northeast of Calgary. The “Badlands” help make Drumheller Alberta’s third-ranked tourist destination with the dinosaur fossil industry attracting over 400,000 visitors annually.

Drumheller is the retail trade and professional services centre for 30,000 people in east central Alberta and is evolving as a regional centre due to growth in the key industries of farming, oil and gas, and tourism. Developments in residential housing and industrial properties are under way to meet the needs of this growing community.

- **Torquay Village Shopping Centre**

In July 2005, Sunstone (2004) LP acquired Torquay Village Shopping Centre in Victoria, British Columbia, for a purchase price of \$3,350,000 plus standard closing costs and adjustments. Torquay Village Plaza is a single-storey shopping plaza comprised of approximately 14,634 square feet of retail space that is currently divided into 9 units. The overall site area is 47,825 square feet. Tenants include nationwide companies such as Edward Jones, Dominos Pizza and General Paint.

Torquay Village is well located as it fronts Shelbourne Street, a major north-south artery that cuts through the neighborhoods of Shelbourne and Gordon Head. Other commercial developments in the area are primarily concentrated along Shelbourne Street. Torquay Village is in close proximity to University Heights Shopping Centre, which has received recent upgrades, and the Tuscany Village Shopping Centre, a mixed use retail residential project.

- **Northland Building**

Sunstone (2004) LP acquired Northland Building in Calgary, Alberta, in November 2005 for a purchase price of \$4,925,000 plus standard closing costs and adjustments. Northland Building is a three building office complex, located at 9705 Horton Road SW. The overall site area is 74,273 square feet, with 54,581 square feet of rentable office space.

The complex is very well situated in the Haysboro district and is located close to the busy Macleod Trail commercial corridor. Horton Road SW is also a service road providing rear access to commercial developments situated on Macleod Trail South, and intersects Southland Drive SW and Heritage Drive SW, both of which are major arterial routes. The property is within easy walking distance of the Calgary Light Rapid Transit and is in the predominantly commercial area of the district with excellent access to restaurants, banks and other retail tenants.

3. RESULTS OF ANNUAL OPEATIONS

In 2004, the Limited Partnership was essentially inactive until the fourth quarter when it began issuing limited partnership units of capital; 1,046 units were issued and the prospectus offering closed on December 20, 2004. As such, assets and revenues grew in 2005 because the Property portfolio was completed and the Properties began generating operating income for the Limited Partnership. The first full months of operation commenced after the Northland Building acquisition in November 2005.

In July 2006, Sunstone (2004) LP successfully sold West Willow Shopping Centre for a total sale price of \$14,200,000 less third party commission and other related closing costs. The Limited Partnership repaid 50% of the Debenture Debt to SRAI on August 23, 2006 in the amount of \$4,691,300, plus interest to date and the accelerated annual loan fee in the amount of \$267,603.

Sunstone (2004) LP earned operating income from the six properties of \$4,207,955 in 2006 in line with management’s expectations (2005 – \$2,735,157). The Limited Partnership earned net income of \$1,919,110 after amortization, interest and administrative expenses and the gain from the sale of West Willow in 2006 (2005 – net loss of \$361,516).

3. RESULTS OF ANNUAL OPERATIONS (CONTINUED)

Cash flow from the Properties was strong for the year. As such, the Limited Partnership paid and /or accrued a cash distribution to its Limited Partners totaling \$549,150 (2005 – \$235,350). The accrued distribution \$58,837 was subsequently paid in January 2007.

For the year ended December 31, 2006, the Limited Partnership's assets totaled \$28,661,370 compared to \$39,762,300 for the year ended December 31, 2005. The decrease was due to the sale of West Willow Shopping Centre and acceleration of related deferred expenses. During the same period, liabilities decreased to \$25,847,040, compared to \$38,317,930 in the previous year due to the repayment of 50% of the debenture debt in the amount of \$4,691,300 and repayment of mortgage on West Willow in the amount of \$7,103,176.

The following table provides a brief summary of the Company's financial operations. For more detailed information, please refer to the audited financial statements for the year ended December 31, 2006.

Selected Annual Information

Table 1.3

	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
Total revenue	\$ 4,283,160	\$ 2,860,929	\$ 14,828
Loss before disposal	(1,205,386)	(956,038)	(148,622)
Net Income (loss)	1,919,110	(361,516)	(148,622)
Total assets	28,661,370	39,762,300	14,628,265
Total liabilities	25,847,040	38,317,930	12,571,476

4. RESULTS OF QUARTERLY OPERATIONS

- Rental revenues totaled \$900,457 and operating expenses \$342,176 were in line with management's budget expectations, producing operating profits of \$558,281 (December 31, 2005 – \$1,167,121, \$311,086 and \$856,035 respectively).
- The Limited Partnership earned \$11,566 in interest from short term investment (December 31, 2005 – \$25,871).
- The Limited Partnership issued a special return of capital distribution to the unitholders on October 11, 2006 at \$300 per unit for a total distribution of \$313,800.
- The Limited Partnership incurred administrative expenses that produced a net loss of \$361,113 (December 31, 2005 – \$239,458). The expenses consist of:
 - amortization of the Properties totaling \$122,517 (December 31, 2005 – \$202,103);
 - amortization of deferred expenses totaling \$202,019 (December 31, 2005 – \$126,451);
 - mortgage interest totaling \$248,252 (December 31, 2005 – \$357,322);
 - expenses totaling \$390,162 with SRAI in connection with the debenture debt proceeds received from SRAI [per Related Party Transactions and Table 1.7] (December 31, 2005 – \$459,202). The amount for the current quarter is lower than the comparative quarter due to the partial repayment of the debenture debt in August 2006; and
 - an asset management fee equal to 1.5% of the Net Asset Value of the Limited Partnership with the General Partner, Sunstone Advisors (Canada) Inc., totaling \$49,031 [see Related Party Transactions and Table 1.8]. The General Partner waived the asset management fee for the year ended 2005 and the period ended December 31, 2004.

5. SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Results					
Table 1.4					
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	
Total assets, balance	28,661,370	29,116,307	39,331,823	39,605,301	
Mortgages payable, balance	20,224,166	20,317,752	27,526,376	27,657,866	
Debenture debt, balance	4,691,300	4,691,300	9,382,600	9,382,600	
Partners' capital, balance	2,814,330	3,548,080	1,119,416	1,261,197	
Rental income, for quarter	900,457	999,806	1,128,381	1,179,311	
Interest income, for quarter	11,566	12,702	28,851	22,086	
Net income (loss), for quarter	(361,113)	2,487,502	(77,627)	(129,652)	

Summary of Quarterly Results					
Table 1.4					
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Total assets, balance	39,762,300	36,244,173	32,375,362	22,214,005	14,628,265
Mortgages payable, balance	27,792,354	24,197,615	20,024,171	10,125,924	2,823,890
Debenture debt, balance	9,382,600	9,382,600	9,382,600	9,382,600	9,382,600
Partners' capital, balance	1,444,370	1,742,663	1,897,125	1,880,495	2,056,789
Rental income, for quarter	1,167,121	859,350	542,354	166,332	—
Interest income, for quarter	25,871	23,202	38,020	38,679	14,828
Net income (loss), for quarter	(239,458)	(95,624)	135,306	(161,740)	(148,622)

6. INCOME PRODUCING PROPERTIES

Original Property Portfolio – Original Purchase Price and Equity-Mortgage Split						
Table 1.5						
Property Description	Location	Purchase Date	Equity	Original Mortgage Amount	% Rate	Original Purchase Price
1425 Kebet Way	Port Coquitlam, BC	Jan-05	\$941,297	\$2,823,890	4.85	\$3,765,187
West Willow Shopping Centre	Langley, BC	Mar-05	2,437,500	7,312,500	4.35	9,750,000
Scott Town Plaza	Surrey, BC	May-05	2,000,000	6,000,000	5.00	8,000,000
Halton Hills Shopping Plaza	Halton Hills, ON	May-05	1,900,000	6,750,000	4.73	8,650,000
Drumheller Shopping Centre	Drumheller, AB	Jun-05	584,000	1,751,000	4.79	2,335,000
Torquay Shopping Centre	Victoria, BC	Jul-05	825,000	2,525,000	5.54	3,350,000
Northland Building	Calgary, AB	Nov-05	1,231,250	3,693,750	5.09	4,925,000
Total			\$9,919,047	\$30,856,140	4.81	\$40,775,187

6. INCOME PRODUCING PROPERTIES (CONTINUED)
Current Property Highlights

- **West Willow Shopping Centre**

On July 28, 2006, Sunstone (2004) LP successfully disposed its undivided beneficial interest in West Willow Shopping Centre for a gross sale price of \$14,200,000 less standard closing costs and adjustments, including third party real estate commission. Sunstone (2004) LP acquired its interest in March 2005 for \$9,750,000 plus standard closing costs and adjustments. The remaining balance on the first mortgage on the property was discharged at the time of disposition.

- **Scott Town Plaza**

There are no significant developments to report, as the centre is continuing to perform according to management's expectations.

- **Halton Hills Shopping Centre**

There are no significant developments to report, as the centre is continuing to perform according to management's expectations.

- **Drumheller Shopping Centre**

There are no significant developments to report, as the centre is continuing to perform according to management's expectations.

- **Torquay Village Shopping Centre**

The General Partner, on behalf of the Limited Partnership, completed the negotiation with Starbucks to replace Wonder Wok Restaurant. The new lease will commence in 2007.

- **Northland Building**

There are no significant developments to report, as the centre is continuing to perform according to management's expectations.

Mortgage Indebtedness

- The Limited Partnership's original mortgage indebtedness was 75% of the original purchase price of the Property portfolio, at gross book value [see Table 1.5].
- The mortgages payable bear interest at the weighted average interest rate of 4.81% and mature between 2008 and 2012.

Payments to be made on the mortgages over the next five years are as follows:

2007	\$	386,032
2008		2,762,664
2009		373,948
2010		10,431,439
2011		156,381
	\$	14,110,464

The mortgages payable is summarized by Table 1.6.

Summary of Mortgages Payable
Table 1.6

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Kebet Way — Mortgage with Canadian Western Bank bearing interest at 4.85%, calculated semi-annually, discharged when the income-producing property was sold in May 2005 and the mortgage was assumed by the purchaser. Less: principal paid during the period Less: principal retired	\$ — — —	\$ — — —	\$ — — —	\$ — — —	\$ — — —	\$ — — —	\$2,813,424 (9,799) (2,803,625)	\$2,823,890 (10,466) —	\$2,823,890 — —
WestWillow — Open floating variable rate mortgage with Coast Capital Savings Credit Union, maturing April 2006. The mortgage is secured by the income-producing property and is repayable in blended monthly payments of principal and interest of \$39,866. The mortgage was retired after the property was sold in July 2006. Less: principal paid during the period Less: principal retired	— — —	7,117,821 (14,645) (7,103,176)	7,159,770 (41,949) —	7,202,939 (43,169) —	7,243,865 (40,926) —	7,285,405 (41,540) —	7,312,500 (27,095) —	— — —	— — —
Scott Town — Mortgage with Coast Capital Savings Credit Union bearing interest at 5.00%, calculated semi-annually, maturing June 10, 2010. The mortgage is secured by the income-producing property and is repayable in blended monthly payments of principal and interest of \$34,897. Less: principal paid during the period	5,843,855 (32,720)	5,875,391 (31,536)	5,906,532 (31,141)	5,938,859 (32,327)	5,959,412 (20,553)	5,994,616 (35,204)	6,000,000 (5,384)	— —	— —

Summary of Mortgages Payable
Table 1.6

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Halton Hills — Mortgage with Canada Trust Company and a vendor take-back mortgage bearing a blended interest rate of 4.73%, calculated semi-annually, maturing May 1, 2012. The mortgages are secured by the income-producing property and are repayable in blended monthly payments of principal and interest of \$32,229. Less: principal paid during the period	\$ 6,652,575 (19,352)	\$ 6,671,575 (19,000)	\$ 6,690,230 (18,655)	\$ 6,708,546 (18,316)	\$ 6,726,529 (17,983)	\$ 6,744,150 (17,621)	\$ 6,750,000 (5,850)	\$ —	\$ —
Drumheller — Mortgage with Canadian Western Bank bearing interest at 4.79%, calculated semi-annually, maturing July 1, 2010. The mortgage is secured by the income-producing property and is repayable in blended monthly payments of principal and interest of \$9,976. Less: principal paid during the period	1,710,464 (9,738)	1,719,869 (9,405)	1,729,161 (9,292)	1,738,786 (9,625)	1,748,078 (9,292)	1,751,000 (2,922)	—	—	—
Torquay — Mortgage with Standard Life and a vendor take-back mortgage bearing a blended interest rate of 5.54%, calculated semi-annually, maturing February 10, 2008. The mortgages are secured by the income-producing property and are repayable in blended monthly payments of principal and interest of \$15,392. Less: principal paid during the period	2,473,450 (12,353)	2,485,628 (12,178)	2,497,636 (12,008)	2,509,474 (11,838)	3,693,750 —	2,525,000 (5,269)	—	—	—
Northland — Mortgage with Citizens Bank of Canada bearing interest at 5.09%, calculated semi-annually, maturing December 10, 2010. The mortgage is secured by the income-producing property and is repayable in blended monthly payments of principal and interest of \$21,673. Less: principal paid during the period	3,637,408 (19,423)	3,656,093 (18,685)	3,674,537 (18,444)	3,693,750 (19,213)	3,693,750 —	—	—	—	—
Total mortgages payable	20,224,166	20,317,752	27,526,376	27,657,866	27,792,354	24,197,615	20,024,171	2,813,424	2,823,890

7. LIQUIDITY

Sunstone (2004) LP has financed its operations to date primarily through the issuance of LPU's. Each Property acquired in the portfolio is purchased with the expectation that it generates sufficient cash flows to finance its own operating costs.

These statements have been prepared on a going concern basis which assumes that Sunstone (2004) LP will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

8. CAPITAL RESOURCES

In 2004, Sunstone (2004) LP issued 1,046 LPUs for gross proceeds of \$2,615,000 [see Table 1.1].

The Limited Partnership and the debenture issuer, SRAI, issued 1,046 Units for gross proceeds of \$13,075,000.

After issuance costs, Sunstone (2004) LP had over \$11.5 million (LP equity and debenture debt) to invest in the portfolio of Properties.

9. OFF-BALANCE SHEET ARRANGEMENTS

Sunstone (2004) LP has no off-balance sheet arrangements.

10. RELATED PARTY TRANSACTIONS

The following transactions occurred in the normal course of operations during this period and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Transactions with the Debenture Debt Issuer – SRAI

SRAI is related to the Limited Partnership by virtue of having officers and directors in common with the General Partner. In connection with the debenture debt proceeds of \$4,691,300 (\$9,382,600 before August 23, 2006) received from SRAI in 2004, the Limited Partnership incurred expenses totaling \$390,162 with SRAI as summarized on Table 1.7. These consist of:

- debenture debt interest of \$116,696 for the 9.95% quarterly interest payment on the debenture debt;
- ongoing debenture loan fee of \$5,864 representing 0.5% of the debenture debt;
- annual loan fee expense of \$267,602 representing the balance of annual loan fee as a result of the partial repayment of the debenture debt proceeds; and
- 50% of debenture debt repaid in August 2006 for \$4,691,300.

Transactions with the Debenture Debt Issuer – SRAI (Continued)

Related Party Transactions with Debenture Debt Issuer – SRAI								
Table 1.7								
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Debenture debt interest expense	\$116,696	\$ 186,714	\$233,392	\$ 233,392	\$ 233,393	\$ 233,392	\$233,392	\$ 233,392
Annual loan fee expense	267,602	267,603	—	—	214,082	—	—	—
Ongoing debenture debt fee expense	5,864	9,382	11,728	11,728	11,729	11,728	11,728	11,728
Total	\$390,162	\$ 463,699	\$245,120	\$ 245,120	\$ 459,204	\$ 245,120	\$245,120	\$ 245,120
Amount in accrued liabilities, balance	\$390,162	\$ 54,485	\$512,722	\$ 512,722	\$ —	\$ —	\$ —	\$ —

Transactions with the General Partner – Sunstone Advisors (Canada) Inc.

Pursuant to the General Partner Services Agreement, Sunstone (2004) LP is required to pay to the General Partner [see Table 1.8]:

- a one-time financing fee equal to 1.5% of the gross purchase price of each Property when acquired. In 2005, the Limited Partnership paid \$555,150 in connection with the six Properties acquired that year; those costs made up part of the total deferred financing costs. There was no financing fee paid in 2006.
- a one-time disposition fee equal to 1.5% of the gross proceeds from each Property when sold. \$Nil was paid to General Partner in the fourth quarter of 2006.
- an annual asset management fee, paid quarterly, of \$49,031 for the current period equal to 1.5% of the Net Asset Value of Sunstone (2004) LP. The General Partner has waived these fees for periods in the prior years.

Related Party Transactions with General Partner – Sunstone Advisors (Canada) Inc.								
Table 1.8								
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
One-time financing fee per Property, in deferred expenses	\$ —	\$ —	\$ —	\$ —	\$ 73,875	\$ 85,275	\$ 249,750	\$ 146,250
One-time disposition fee per Property when sold	—	213,000	—	—	—	—	68,550	—
Annual asset management fee, paid quarterly	49,031	49,031	49,031	49,031	—	—	—	—
Total	\$ 49,031	\$ 262,031	\$ 49,031	\$ 49,031	\$ 73,875	\$ 85,275	\$ 318,300	\$ 146,250
Amount in AP and accrued liabilities, balance	\$ 5,134	\$ 5,134	\$ 177,072	\$ 128,041	\$ —	\$ —	\$ —	\$ —

11. OUTSTANDING PARTNERSHIP UNIT DATA

As of this filing, the types of partnership units outstanding and their book values are summarized in Table 1.9.

Outstanding Partnership Unit Data		
Table 1.9		
Types of Outstanding Partnership Units	Units	Book Value Per Unit
Limited Partnership Units	1,046	\$ 2,500
Initial Limited Partner's Unit	1	\$ 10
General Partner's Unit	1	\$ 10
	1,048	

12. RISKS AND UNCERTAINTIES

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. Sunstone (2004) LP's primary risk is the potential for declining revenue arising from vacancies or rental rate declines. Sunstone (2004) LP, while searching for properties, is focused on a diversified portfolio of properties in various regions in Canada to reduce this risk.

13. FINANCIAL INSTRUMENTS

Sunstone (2004) LP's financial instruments consist of cash, receivables, prepaid expenses, accounts payable and accrued liabilities, rental deposits, mortgages payable and debenture debt. Unless otherwise noted, it is management's opinion that Sunstone (2004) LP is not exposed to significant interest, currency or credit risks arising from these financial instruments.

14. INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The president assessed, or caused an assessment under his direct supervision of the design of Sunstone (2004) LP's internal controls over financial reporting as at December 31, 2006, and based on that assessment determined that Sunstone (2004) LP's internal controls over financial reporting were appropriately designed. No changes were made in the Limited Partnership's internal control over financial reporting during the three months ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Limited Partnership's internal control over financial reporting.

15. SUBSEQUENT EVENTS

There are no subsequent events at the time this analysis was prepared.