

SUNSTONE US#3 SUNSTONE'S GUIDE TO THE SUNSTONE / KPMG U.S. TAX PROCESS

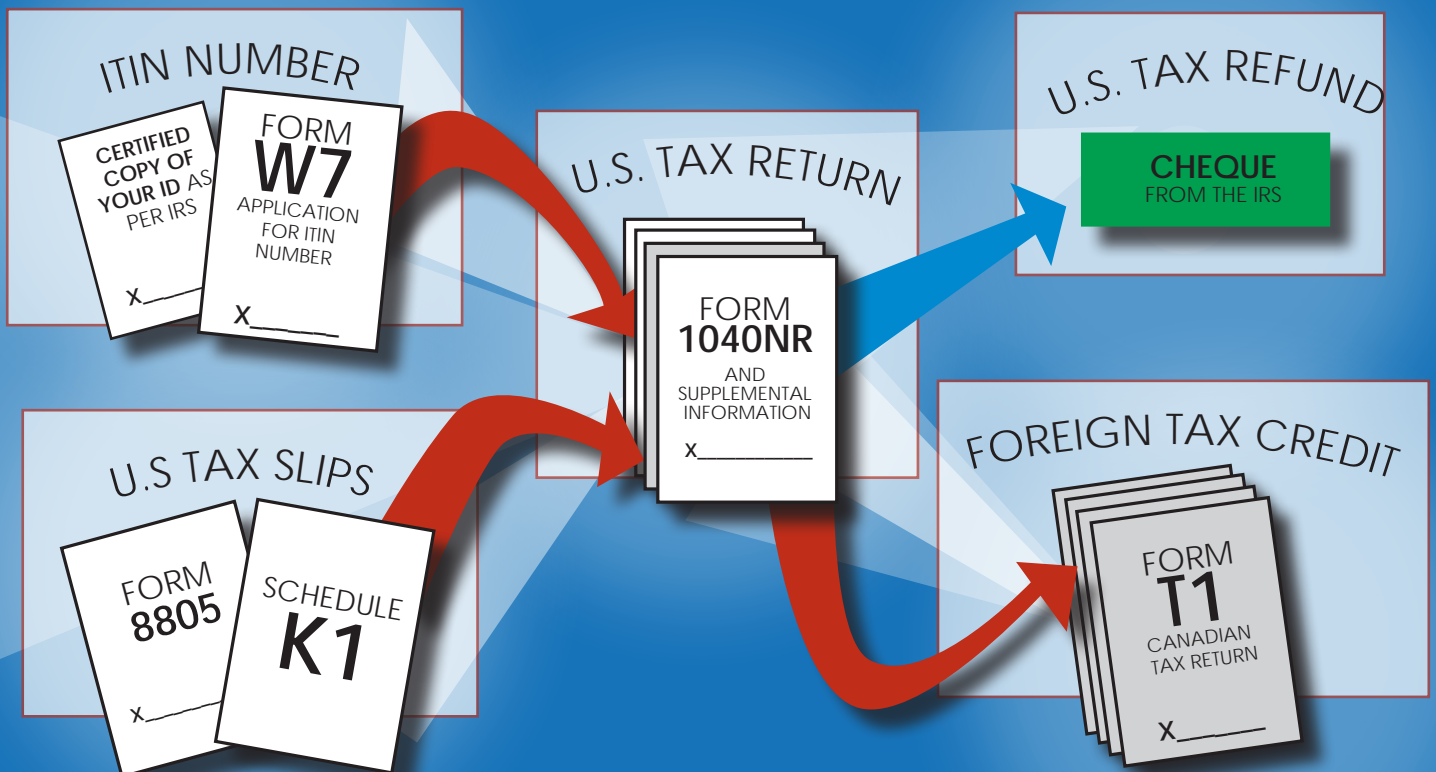
Contents of this package:

1. Your U.S. tax process
2. Why you should file a U.S. tax return
3. U.S. capital gains tax summary
4. What is the process
5. Eligibility
6. Who can help me with what
7. How to prepare - a checklist

This document outlines the U.S. tax procedure to be followed to attain ANY of the following documents. Eligibility will vary for each individual unitholder.

1. ITIN number
2. U.S. tax slips
3. U.S. tax return
4. U.S. tax refund
5. Foreign tax credit (for Canadian tax purposes)

YOUR U.S. TAX PROCESS



WHY SHOULD YOU FILE A U.S. TAX RETURN?



THE ZONA HOTEL AND SUITES



THE PRESERVE

SOLD

During 2014, Sunstone US Opportunity (No. 3) Realty Trust completed the very successful sales of **The Zona Hotel & Suites** and the **Preserve at Arbor Hills**.

You have received a distribution primarily composed of return of capital and capital gains from the proceeds of the property sales.

Under U.S. tax law (FIRTPA), Sun-

stone is required to withhold on your behalf and remit 35% of the capital gains dividend to the IRS.

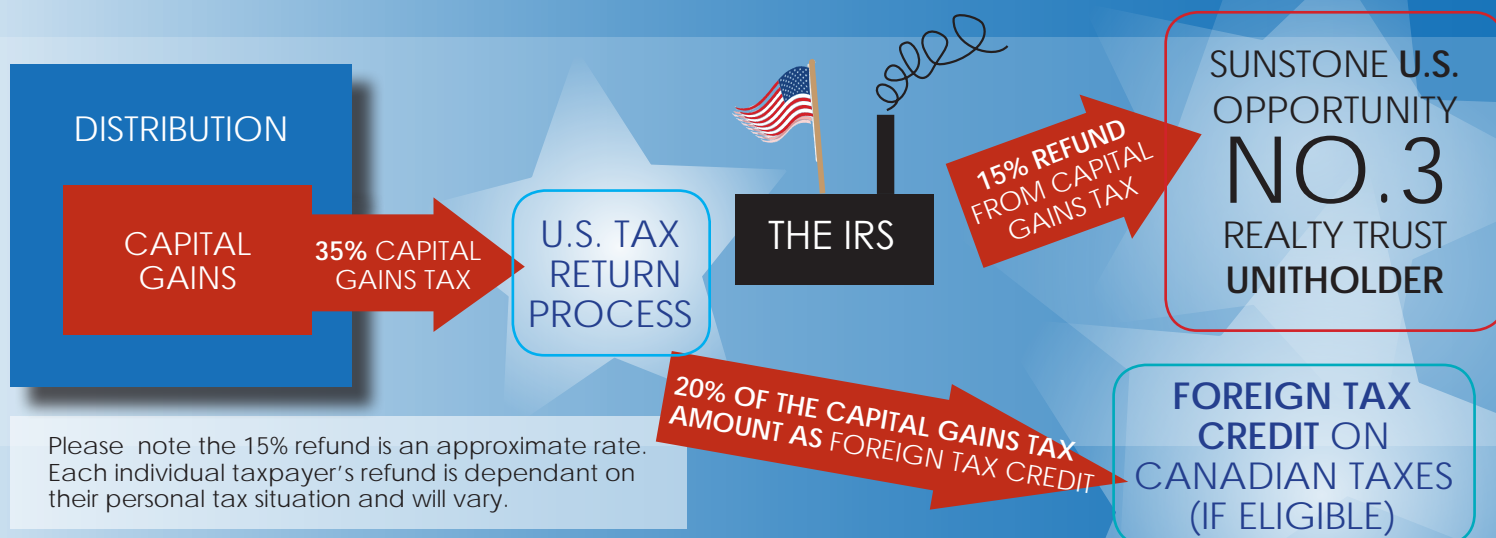
The U.S. federal income tax rate for long-term capital gains of a U.S. resident individual investor is generally 20%.

By filing a U.S. federal income tax return you may be eligible to receive a U.S. tax refund for any U.S. tax over-withholdings on your share of

the capital gains dividend. In addition, you may be eligible to establish a foreign tax liability in order to claim a foreign tax credit on your Canadian taxes.

Sunstone, together with KPMG, has created an easy online system to help you complete all of these tasks. **The online questionnaire will open in January 2015.**

U.S. CAPITAL GAINS TAX SUMMARY



Please note the 15% refund is an approximate rate. Each individual taxpayer's refund is dependant on their personal tax situation and will vary.

WHAT IS THE PROCESS?

1. GATHER YOUR INFORMATION

Please see the next page for a list of items you will need to start the process. Please check the website (www.sunstoneadvisors.com >Sunstone Funds> Sunstone U.S. (No. 3)> Income Tax information) for a checklist of items that may be prepared in advance and for more detailed information.

2. REQUIRED - OBTAIN U.S. TAX SLIPS *EVERY INVESTOR TO COMPLETE THIS STEP*

You will need to obtain U.S. tax slips (Schedule K1 and Form 8805) from Sunstone. You will need U.S. tax slips if you wish to complete a US tax return and if you wish to establish your tax liability in order to request a foreign tax credit on your Canadian tax return.

Due to the Fund's tax filing deadline with the IRS, your only opportunity to obtain U.S. tax slips for the 2014 tax year for Sunstone U.S. Opportunity (No. 3) Realty Trust is through the online questionnaire provided by Sunstone and KPMG in late January. Please do not miss your opportunity.

Sunstone and KPMG will provide an online U.S. Tax questionnaire in late January 2015 for you to input your information and give permission to have your U.S. tax slips created by KPMG on your behalf. This will be your only opportunity to obtain U.S. tax slips for the 2014 tax year for Sunstone U.S. Opportunity (No. 3) Realty Trust.

3. OPTIONAL - COMPLETE A U.S. TAX RETURN

ITIN (INDIVIDUAL TAXPAYER IDENTIFICATION) NUMBER

If you are choosing to complete a U.S. tax return, you will be required to submit an ITIN number as part of your application. The ITIN application (Form W7) requires specific ID requirements - please see the following page or the website for more information.

U.S. TAX RETURN

You must complete a U.S. tax return to claim for your refund of overwithholdings and to establish your final U.S. tax liability with the IRS so you can claim your foreign tax credit on your Canadian taxes (if eligible).

Sunstone, with the help of KPMG our U.S. tax advisors, is providing eligible unitholders access to an online system that will provide U.S. tax return services. The online system will collect data from unitholders in form of an online questionnaire and provide KPMG with enough information to systematically create U.S. returns for all individuals who input their data, assuming eligibility.

As the system is designed to collect information on a mass basis, those who may have other obligations to the IRS will not be eligible to use it. For a general guideline of eligibility for our online system, please see the next page and the website.

All unitholders may complete a U.S. tax return (assuming they have U.S. tax slips). If a unit holder is not eligible or chooses not to use the service provided by Sunstone/KPMG, they may complete a U.S. tax return using outside tax advice or independently.

4. OBTAIN A U.S. TAX REFUND

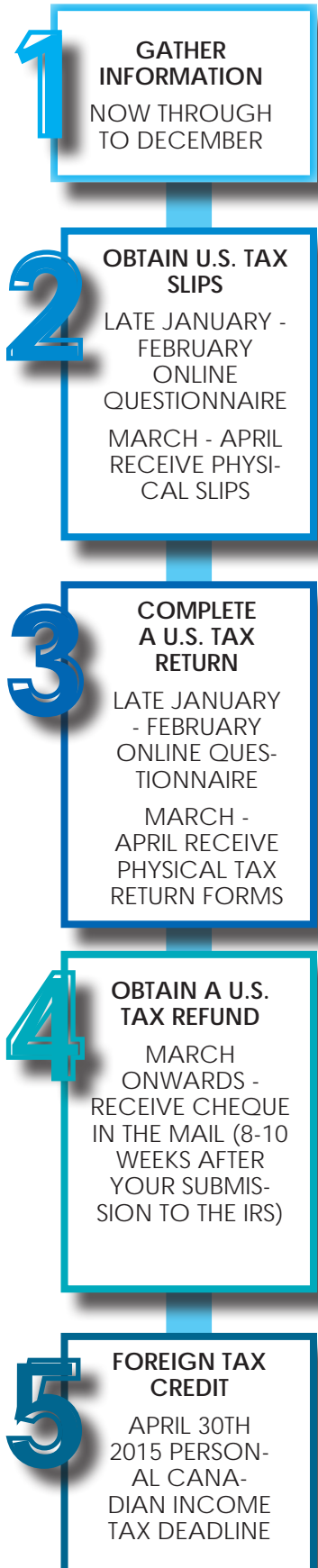
Subsequent to completing the online questionnaire, unitholders will receive their personalized tax package which will consist of their U.S. tax slips, and if chosen, a U.S. tax return and ITIN application.

Unitholders must read and review their packages for accuracy of personal information --this should be double checked. When satisfied, please follow the directions included in the package carefully to sign at the appropriate pages and courier to the IRS.

Allow for 8-10 weeks of processing in order for the IRS to mail to you your refund in form of a cheque.

5. ESTABLISH TAX LIABILITY FOR THE FOREIGN TAX CREDIT

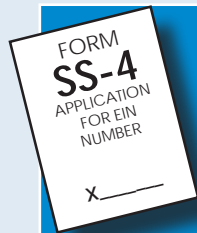
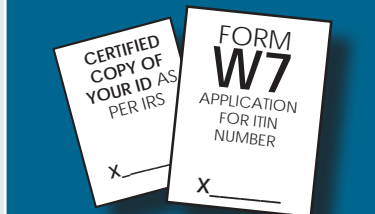
If eligible, a unitholder will be able to use their U.S. tax slips and U.S. tax return to establish their tax liability to claim as a foreign tax credit on their Canadian taxes. Please consult with a tax advisor.



ELIGIBILITY - WHAT DOCUMENTS DO YOU NEED?

U.S. IDENTIFYING NUMBER

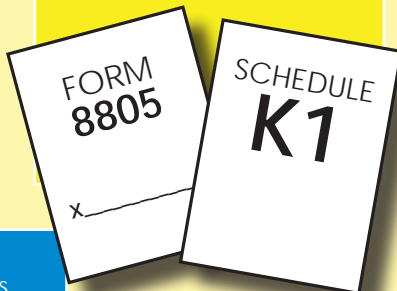
INDIVIDUALS require an ITIN (Individual Taxpayer Identification) number.



NON-INDIVIDUALS
ie. Churches, employers, corporations, partnerships, trusts, estates require an **EIN** (Employer Identification) number.

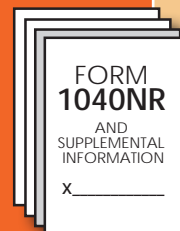
TAX SLIPS

ALL investors are eligible and are required to have U.S. tax slips completed by Sunstone / KPMG.

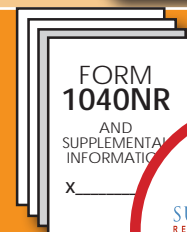


TAX RETURNS

INDIVIDUALS with NO other obligations to the IRS are eligible to have their US tax return completed by KPMG / Sunstone.



INDIVIDUALS AND NON-INDIVIDUALS with other obligations to the IRS are **NOT** eligible to have their US tax return completed by KPMG / Sunstone. They must consult their own US tax advisor. Required tax slips will still be prepared by KPMG / Sunstone.



WHO CAN HELP YOU WITH WHAT?

Sunstone has contracted KPMG to provide U.S. tax services for our unitholders. All unitholders who participate in the online questionnaire will be provided with U.S. tax slips. Those eligible investors who have chosen to file a return will be provided with a U.S. tax return. Together with KPMG, we have designed an automated system that collects information unitholders input online and tabulates data to form the U.S. tax slips and the U.S. tax return (if eligible) for investors.

KPMG will provide you with your U.S. tax package that you will need to sign and courier to the IRS along with the correct identification and documentation in application for your U.S. tax refund.

Sunstone is also available to take your calls at 604-681-5959 or 1-888-681-5959. KPMG will be providing a dedicated phone number and email to answer your questions as well. Please see below for who can best answer your questions.

SUNSTONE CAN HELP WITH:



SUNSTONE
REALTY ADVISORS

Contact Sunstone at:

- 604-681-5959
- 1-888-681-5959
- info@sunstoneadvisors.com

Information about the U.S. tax process

Information about your distribution

Which documents to send in to the IRS

Information about your investment

Where to sign your documents

KPMG CAN HELP WITH:

Access to your tax package

Questions about your tax forms

U.S. tax related questions

Access to your passwords

Online questionnaire queries

Contact KPMG- contact information to be determined in late January.

KPMG

HOW TO PREPARE - A CHECKLIST

The following list is comprised of most of the items and information you will need for the January 2015 online tax questionnaire or for your actual submission to the IRS. Detailed information may also be found on our website at (www.sunstoneadvisors.com >Sunstone Funds> Sunstone U.S. (No.3)> Income Tax Information). The online questionnaire will be comprised of 3 distinct sections.

SECTION A: INFORMATION FOR U.S. TAX SLIPS

1. Personal Information:

- Name of the investor (the person who owns the Sunstone units)
- Valid mailing address. If you have a PO Box, be prepared to provide a street address as well
- Investor's contact phone number

2. Confirm with your brokerage firm/investment advisor with respect to EACH of Sunstone U.S. Opportunity (No. 2) Realty Trust (Sunstone 2) and Sunstone US Opportunity (No. 3) Realty Trust (Sunstone 3):

- The number of units you own in Sunstone 2 and/or Sunstone 3 as of October 1, 2014. See bullets below for instructions on how to determine the number of units you own if you hold the units jointly with your spouse.
- The name of the brokerage firm through which you hold your units in Sunstone 2 and/or Sunstone 3.
- The account number(s) for your investment in Sunstone 2 and/or Sunstone 3. The account number(s) generally should be indicated on your brokerage firm statement.
- The name of the investor as it appears on your brokerage firm statement with respect to the above account number(s). If the account number(s) have different investor names, please make ONE submission for EACH Investor (i.e., visit the online questionnaire and make a separate submission for each investor).

NOTE: If units are held jointly by spouses, allocate the total number of units between the spouses based on how income from these units were previously divided and reported by each spouse for income tax purposes. Each spouse that is allocated units must separately visit the online questionnaire in late January 2015 to complete the online questionnaire, based on how many units were allocated to each spouse.

- The type of investor. Each investor will either be an individual, a corporation, a trust, a partnership or an estate.
3. **If you want the online questionnaire to deliver your U.S. tax slips by email, please provide a valid email address.**
4. **Investor's U.S. tax ID (i.e., U.S. Employer Identification Number, if investor is an entity or U.S. Individual Tax Identification Number, if investor is an individual). If you do not have a U.S. tax ID, you will be prompted to proceed to Section B if you choose.**



HOW TO PREPARE - A CHECKLIST CONTINUED

SECTION B: INFORMATION FOR AN APPLICATION FOR A U.S. TAX ID (OPTIONAL)

IF THE UNITHOLDER IS AN INDIVIDUAL:

1. Identification information:

- Name as it appears on the identification document you choose to attach to your U.S. Tax ID application form (i.e., passport) (see point 3 below)
- Legal name at birth (if different than (a))
- Date of birth
- Country of birth
- Gender
- Country of citizenship
- Canadian social insurance number (SIN) if you are a resident of Canada. If you are not a resident of Canada, provide the tax identification number that your country of resident has issued to you for tax purposes.

2. Type of any currently valid U.S. visa (if any)

- ### 3. Identification document to be attached to U.S. Tax ID application form.
- Acceptable identification documents include: a passport, birth certificate, driver's license, or national ID card. A certified copy of your passport (or two other types of identification documents from the above list) must be attached to your U.S. Tax ID application form. We strongly recommend that you use a valid passport instead of other forms of personal identification. See introduction page [add link] on what action steps you can take now to get your certified copy of identification document(s) ready.

IF THE UNITHOLDER IS A BUSINESS, CORPORATION, TRUST, PARTNERSHIP OR ESTATE:

1. Legal name of entity.

2. Mailing address and country of principal business

3. Responsible officer and the officer's US Tax ID (i.e., Social Security Number, Individual Tax Identification Number) (if any). A responsible officer of a corporation is generally the president, vice president or principal officer who can sign on behalf of the corporation.

4. Type of Entity (Partnership, Trust, Corporation, Estate, etc.)

5. Accounting year end

6. Country of incorporation

7. Principal activity of the business (e.g., construction, finance & insurance, real estate, manufacturing)

8. Principal line of merchandise sold, specific construction work done, products produced, or services provided

9. Confirm if the entity has applied for and received a U.S. tax ID (i.e. Employer Identification Number) before.



HOW TO PREPARE - A CHECKLIST CONTINUED

SECTION C: PREPARATION OF 2014 US FEDERAL INCOME TAX RETURN, IF THE INDIVIDUAL INVESTOR IS ELIGIBLE (OPTIONAL)

- 1. Indicate if you have worked (or will work) in the U.S. and earned U.S. source income during January 1, 2014 to December 31, 2014 that is required to be reported on a US federal income tax return (for this question, U.S. source income does not include regular distributions from any Sunstone fund or Pure Multi-Family).**
- 2. The following information about your spouse (if your marital status is 'Married' or "Common Law" at any time during 2014):**
 - Spouse's US Tax ITIN (if any);
 - Confirm if your spouse filed Form 1040NR jointly with you in prior years (if applicable) or will be filing Form 1040NR jointly with you for the 2014 taxation year.
 - Confirm if your spouse earned U.S. source income during January 1, 2014 to December 31, 2014 (for this question, U.S. source income does not include any distributions from any Sunstone fund).
- 3. Confirm the country(ies) in which you will file your income tax return(s) for the 2014 taxation year.**
- 4. Confirm if you have ever applied for a Green Card, held a Green Card or were a U.S. citizen.**
- 5. Confirm if you had or have a U.S. visa, or ever changed any current or past U.S. visa.**
- 6. Confirm if you have ever changed your immigration status to the U.S.**
- 7. Provide the number of days (including vacation, non-workdays and partial days) that you were (or will be) present in the US during the 2012, 2013 and 2014 calendar years.** If you are not sure what the answer to the above is, see introduction page [add link] on what action steps you can take now to confirm the number of days present in the US during 2012, 2013 and 2014.
- 8. If you are a Canadian resident and you do not commute to work in the US for more than 75% of your work days, provide a list of all dates you entered and left the US during 2014** (these dates should match the total number of days stated in (7) above).
- 9. If you have ever filed a US income tax return in prior years, provide the most recent year and the form number you filed under** (e.g. Form 1040NR).

Need Help? Have Questions? Please contact us.

QUESTIONS ABOUT PROCESS AND YOUR INVESTMENT
SUNSTONE: 604-681-5959 or info@sunstoneadvisors.com

www.sunstoneadvisors.com > Sunstone Funds > Sunstone US (No. 3) > Income Tax Information

