

NO SECURITIES REGULATORY AUTHORITY HAS EXPRESSED AN OPINION ABOUT THESE SECURITIES AND IT IS AN OFFENCE TO CLAIM OTHERWISE.

PROSPECTUS

Initial Public Offering

September 19, 2006



SUNSTONE OPPORTUNITY (2006) REALTY TRUST (the "Realty Trust")

SUNSTONE OPPORTUNITY (2006) DEBENTURE FUND (the "Debenture Fund") (hereinafter collectively called the "Trusts")

SUNSTONE OPPORTUNITY FUND (2006) LIMITED PARTNERSHIP (the "Limited Partnership") (hereinafter collectively with the Trusts called the "Issuers")

Minimum: \$5,000,000 (4,000 Units)
Maximum: \$45,000,000 (36,000 Units)
\$1,250 per Unit
(the "Offering")

This Prospectus qualifies the distribution of up to 36,000 units (each a "Unit") at a price of \$1,250 per Unit. Each Unit is comprised of one unit of the Realty Trust (a "Trust Unit") having a price of \$250, and one unit of the Debenture Fund (a "Fund Unit") having a price of \$1,000. **Units may only be acquired in blocks of ten Units.**

The Prospectus also qualifies the distribution, to the Realty Trust and Debenture Fund, respectively, of up to 36,000 units of the Limited Partnership (each an "LP Unit") having a price of \$250 and up to 36,000 debentures of the Limited Partnership in the principal amount of \$1,000, maturing on October 31, 2011 (each a "Debenture"). The Debentures bear interest at a rate of 8% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing January 15, 2007.

| | Price to Public ⁽²⁾ | Agents' Discounts or Commissions ⁽³⁾ | Proceeds to Issuer ⁽⁴⁾ |
|----------------------------------|--------------------------------|---|-----------------------------------|
| Per Unit | | | |
| Per Trust Unit ⁽¹⁾⁽⁵⁾ | \$250 | \$20 | \$230 |
| Per Fund Unit ⁽¹⁾⁽⁵⁾ | \$1,000 | \$80 | \$920 |

| | Price to Public ⁽²⁾ | Agents' Discounts or Commissions ⁽³⁾ | Proceeds to Issuer ⁽⁴⁾ |
|---------------------------------------|--------------------------------|---|-----------------------------------|
| Minimum Offering⁽⁶⁾ | | | |
| 4,000 Trust Units ⁽¹⁾⁽⁵⁾ | \$1,000,000 | \$80,000 | \$920,000 |
| 4,000 Fund Units ⁽¹⁾⁽⁵⁾ | \$4,000,000 | \$320,000 | \$3,680,000 |
| Maximum Offering | | | |
| 36,000 Trust Units ⁽¹⁾⁽⁵⁾ | \$9,000,000 | \$720,000 | \$8,280,000 |
| 36,000 Fund Units ⁽¹⁾⁽⁵⁾ | \$36,000,000 | \$2,880,000 | \$33,120,000 |

- (1) The proceeds raised by the Realty Trust from the issuance of the Trust Units will be invested in an equal number of LP Units, each having a price of \$250. The proceeds raised by the Debenture Fund from the issuance of Fund Units will be invested in an equal number of Debentures. (Refer to “Description of Businesses of the Issuers” on page 4 for further particulars on the acquisition of LP Units and Debentures.) Therefore, all proceeds of this Offering, net of expenses, will ultimately be used by the Limited Partnership in the purchase, ownership and operation of the Properties (as hereinafter defined). The General Partner of the Limited Partnership is Sunstone Realty Advisors (2006) Inc. (the “General Partner”).
- (2) The price to the public was determined by negotiation between the Lead Agent, the Realty Trust and the Debenture Fund. No third-party valuation was obtained.
- (3) The promoter of this Offering, SRAI, will co-ordinate the placement of the Units through the Agents and sub-agents in the various jurisdictions where the Units are offered for sale. Sales commissions and fees will be paid to the Agents and any sub-agents in connection with this Offering, at a rate equal to 8% of the purchase price of the Trust Units and the Fund Units. As a further incentive to the Agents, the General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. Agents may assign all or part of their entitlements to sub-agents effecting sales of Units. As well, the General Partner will pay to the Agents, on an annual basis in arrears, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the General Partner Services Agreement. Such trailer fee will only be paid by the General Partner to the Agents if it is collected by the General Partner. The Agents may assign all or part of the trailer fee to sub-agents effecting sales of Units. (Refer to “Plan of Distribution – Agency Agreement” on page 61 herein for further particulars.)
- (4) Before deduction of the balance of the expenses of the Offering estimated at \$225,000 to \$400,000.
- (5) Subject to the qualifications and assumptions discussed under the heading “Canadian Federal Income Tax Considerations” on page 62 herein, the Trust Units and Fund Units will, on the date of Closing, be qualified for investment by RRSPs and similar Plans. If either the Trust or the Fund, or both, cease to qualify as a mutual fund trust, a Trust Unit or Fund Unit, as the case may be, will cease to be a qualified investment for RRSPs and similar Plans. Adverse tax consequences may apply to a Plan, and an annuitant thereunder, if the Plan acquires or holds property that is not a qualified investment for the Plan. Refer to “Canadian Federal Income Tax Considerations” on page 62 herein for further particulars.
- (6) There will be no closing unless a minimum of 4,000 Units are sold not more than 90 days after the date of the receipt for the Final Prospectus (as hereinafter defined). **Units may only be acquired in blocks of ten Units.**

This is a blind pool Offering. Although the Issuers expect that the available net proceeds of the Offering will be applied by the Limited Partnership in the purchase of one or more Properties, the specific Properties in which the Limited Partnership will invest have not yet been determined. In any event, if the maximum Offering of 36,000 Units is sold, the Issuers expect that the Limited Partnership will apply approximately \$41,000,000 (i.e. approximately 91.1% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner upon the closing of any Property acquisitions), and to the creation of working capital reserves and reserves for renovations and upgrades. If only the minimum Offering of 4,000 Units is sold, the Issuers expect that the Limited Partnership will apply approximately \$4,375,000 (i.e. approximately 87.5% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including

the Financing Fees payable to the General Partner), and to the creation of working capital reserves and reserves for renovations and upgrades.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus.

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” on page 79 herein. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

“Related Parties” (as defined in the Glossary of Terms commencing on page xviii) shall not, in total, subscribe for more than 25% of the Units sold pursuant to the Offering.

Sunstone Realty Advisors Inc. (“SRAI”) is a connected issuer of one of the Agents, Sora Group Wealth Advisors Inc. (“SGWA”), due to the ownership of SGWA shares by the principals of SRAI, Darren Latoski and Steve Evans. See “Plan of Distribution – Potential Agent Conflict”.

Given the uncertainties involved in connection with predicting the Limited Partnership’s annual earnings and debt servicing requirements, it is impossible to determine the amount of earnings that the Limited Partnership will require to attain an earnings coverage ratio of one-to-one.

The return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. Cash distributions are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. Although the Realty Trust and Debenture Fund intend to distribute their available cash to the holders of Trust Units and Fund Units, such cash distributions may be reduced or suspended. The ability of the Realty Trust and Debenture Fund to make cash distributions and the actual amount distributed will depend on the operations of the Properties acquired by the Limited Partnership with the proceeds from its issuance of LP Units and Debentures, and will be subject to various factors including those referenced under the heading “Risks of Real Estate Ownership” in the “Risk Factors” section commencing on page 79 herein. In addition, the market value of the Trust Units and Fund Units may decline if the Realty Trust and/or Debenture Fund are unable to meet their cash distribution targets in the future, and that decline may be significant.

It is important for investors to consider the particular risk factors that may affect the real estate market generally and therefore the stability of the distributions to investors. See “Risk Factors” commencing on page 79 herein for a more complete discussion of these risks as well as the Issuers’ assessments of those risks and their potential consequences.

The after-tax return to Unitholders subject to Canadian income tax from an investment in the Trust Units and Fund Units will depend, in part, on the composition for tax purposes of distributions paid by the Issuers, which may be made up of either or both a return on and a return of capital. Portions of such distributions may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a Unitholder's cost base in the Unit for tax purposes. The composition of distributions for tax purposes may change over time, thus affecting the after-tax return to Unitholders. Distributions of the taxable income of the Trusts are generally taxed as ordinary income in the hands of a Unitholder. Distributions in excess of the taxable income of the Trusts are generally tax-deferred (and reduce a Unitholder’s cost base in the Unit for tax purposes). See “Canadian Federal Income Tax Considerations” commencing on page 62 herein.

The directors of the Realty Trustee, the Debenture Fund Trustee and the General Partner are subject to various potential conflicts of interest arising from the relationships among and between each of them and

their affiliates. (Refer to “Directors and Officers – Potential Conflicts of Interest (Directors and Officers)” on page 57 herein.)

No person is authorized by the Issuers to provide any information or to make any representation other than as contained in this Prospectus in connection with this issue and sale of the securities offered by the Issuers.

The Units offered hereunder are offered on a “commercially reasonable best efforts” basis in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island until December 15, 2006 by Dundee Securities Corporation, as lead agent, Blackmont Capital Inc., Sora Group Wealth Advisors Inc., Raymond James Ltd., Bieber Securities Inc., Laurentian Bank Securities Inc. and MGI Securities Inc., subject to: (a) prior sale, if, as and when issued and delivered by the Realty Trust in respect of the Trust Units and by the Debenture Fund in respect of the Fund Units in accordance with the conditions of the Agency Agreement referred to in “Plan of Distribution” on page 60 herein; and (b) the approval of certain legal matters by Clark Wilson LLP, Vancouver, British Columbia on behalf of the Realty Trust and the Debenture Fund, and the approval of certain legal matters by Miller Thomson LLP on behalf of the Agents. The Agents may enter into co-brokerage/selling group agreements with other investment dealers to market the Units offered hereunder.

Registration and transfers of Units, and of the underlying Trust Units and Fund Units, will be effected only through the book entry only system administered by The Canadian Depository for Securities Limited (“CDS”). 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, and of the underlying Trust Units and Fund Units, will not have the right to receive physical certificates evidencing their ownership of such securities. See “Plan of Distribution” on page 60 herein.

While an LP Unit may not constitute a “tax shelter” or a “tax shelter investment”, SRAI, the promoter of this Offering, has nevertheless obtained from the Canada Revenue Agency and the Minister of Revenue Quebec tax shelter identification numbers for the Limited Partnership. The federal tax shelter identification number in respect of the Limited Partnership is TS072140. The Quebec tax shelter identification number in respect of the Limited Partnership is QAF-06-01148. The Realty Trust and any person who acquires LP Units must include the relevant tax shelter identification number in any income tax return filed by them. The issuance of an identification number is for administrative purposes only and does not in any way confirm the entitlement of the Realty Trust or any other LP Unitholder to claim any tax benefits associated with an LP Unit. (Refer to “Canadian Federal Income Tax Considerations – Other Matters – Tax Shelter Rules” on page 78 herein for further particulars.)

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements with respect to the Issuers, including their respective 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. Although management of each of the Issuers believes that the expectations reflected in such forward-looking statements are reasonable and represent the relevant Issuer’s internal projections, expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause a particular Issuer’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 a particular Issuer’s expectations include, among other things, the availability of suitable Properties for purchase by the Limited Partnership, the availability of mortgage financing for such Properties, and general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the “Risk Factors” section. (See “Risk Factors” commencing on page 79 herein.)

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. Reference is made to the "Glossary of Terms" for the meanings of defined terms used in this summary.

Structure of the Offering: The securities being distributed pursuant to this Prospectus are Units, each of which is comprised of one Unit of the Realty Trust (a "Trust Unit") and one Unit of the Debenture Fund (a "Fund Unit"). The Offering consists of a minimum of 4,000 Units and a maximum of 36,000 Units, at a price of \$1,250 per Unit. Each Trust Unit has a price of \$250 and each Fund Unit has a price of \$1,000. (Refer to "Plan of Distribution" on page 60 herein.)

Units may only be acquired in blocks of ten Units.

The Realty Trust will invest the proceeds from the issuance of Trust Units in the acquisition of an equal number of LP Units, at a price of \$250 per LP Unit. The Debenture Fund will invest the proceeds from the issuance of Fund Units in the acquisition of an equal number of Debentures, each in the principal amount of \$1,000, maturing on October 31, 2011. The Debentures bear interest at a rate of 8% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing January 15, 2007.

Pursuant to the Cost Sharing and Recovery Agreement all costs and expenses in respect of this Offering will be borne by the Limited Partnership in connection with the issuance of LP Units and Debentures by the Limited Partnership. Therefore, all proceeds of this Offering, net of expenses, will ultimately be used by the Limited Partnership in the purchase, ownership and operation of the Properties.

Businesses: Realty Trust

The Realty Trust is an open-ended unincorporated investment trust governed by the laws of the Province of British Columbia and created pursuant to the Realty Trust Declaration. It was established, among other things, to:

- (a) acquire LP Units; and
- (b) temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Realty Trust, make other investments as contemplated by the Realty Trust Declaration, pay amounts payable by the Realty Trust in connection with the redemption of any Trust Units, and make distributions to Trust Unitholders.

The principal business of the Realty Trust will be to issue Trust Units and to acquire and hold LP Units.

The LP Units will be issued at a price of \$250 for each LP Unit. Limited

Partners will be entitled to receive from Distributable Cash the Limited Partners' Minimum Return (being a minimum return of 8% per annum, cumulative but not compounded, calculated on the Limited Partners' Net Equity in the Limited Partnership) and, after payment to the General Partner of the Incentive Management Interest, 80% of the balance of Distributable Cash. After payment of current obligations of the Limited Partnership, the retention of reserves and the repayment of the Debentures, the net proceeds from a capital transaction, such as a refinancing, sale or expropriation of a Property, or the receipt of insurance proceeds, will be used to pay the Limited Partners' Minimum Return, to repay the Net Equity, and to pay to the General Partner the Incentive Management Interest, with the balance of any such proceeds paid 80% to the Limited Partners holding LP Units and 20% to the General Partner (See "Description of the Securities Distributed – LP Units" on page 33).

**Businesses:
Debenture Fund**

The Debenture Fund is an open-ended unincorporated investment trust governed by the laws of the Province of British Columbia and created pursuant to the Debenture Fund Declaration. It was established, among other things, to:

- (a) acquire Debentures
- (b) earn and distribute to the Fund Unitholders income derived from the investment in the Debentures; and
- (c) temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Debenture Fund, make other investments as contemplated by the Debenture Fund Declaration, pay amounts payable by the Debenture Fund in connection with the redemption of any Fund Units, and make distributions to Fund Unitholders.

The principal business of the Debenture Fund will be to issue Fund Units and to acquire and hold Debentures. The Debentures bear interest at a rate of 8% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing January 15, 2007.

**Businesses:
Limited Partnership**

The General Partner is a company engaged in identifying real estate investment opportunities. In order to take advantage of such investment opportunities, the General Partner has established the Limited Partnership pursuant to the laws of the Province of British Columbia for the purposes of owning and operating a diversified portfolio of high quality income-producing residential and/or commercial real estate Properties in Canada (or proportionate interests in such Properties) and for limited investment in real estate development opportunities. The principal business of the Limited Partnership will be to issue LP Units and Debentures, to invest the proceeds from such issuance in the Properties, and to own and operate such Properties.

Plan Of Distribution:

Sunstone Realty Advisors Inc. will co-ordinate the placement of the

Units through the Agents and sub-agents in the various jurisdictions where the Units are offered for sale.

There will be no closing unless a minimum of 4,000 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.

Sales commissions and fees will be paid to the Agents at a rate equal to 8% of the purchase price of the Trust Units and the Fund Units. As a further incentive to the Agents or any sub-agents, the General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. Agents may assign all or part of their entitlements to sub-agents effecting sales of Units, such assignment to be made on a basis determined by the General Partner. As well, the General Partner will pay to the Agents, on an annual basis in arrears, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the General Partner Services Agreement. Such trailer fee will only be paid by the General Partner to the Agents if it is collected by the General Partner. The Agents may assign all or part of the trailer fee to sub-agents effecting sales of Units. (Refer to “Plan of Distribution” on page 60 herein.)

Use Of Proceeds:

Assuming that the maximum Offering of 36,000 Units is sold, the gross proceeds to the Trusts will be \$45,000,000. Of this amount, \$9,000,000 will be received by the Realty Trust and will be invested in the acquisition of 36,000 LP Units, and \$36,000,000 will be received by the Debenture Fund and invested in 36,000 Debentures. The gross proceeds therefore received by the Limited Partnership, plus estimated Mortgage Loans in the aggregate principal amount of \$97,209,676 will be used by the Limited Partnership to: pay Agents’ commissions and fees of \$3,600,000; pay the other expenses of this Offering estimated at \$400,000; pay the estimated aggregate purchase price of as yet unidentified Properties of \$132,258,063; pay due diligence and documentation costs relating to the purchase of such Properties of \$2,645,161; create reserves for renovation and upgrading of such Properties of \$661,290; create reasonable working capital reserves for such Properties of \$661,290; and pay the Financing Fee of \$1,983,872. (Refer to “Use of Proceeds” on page 12 herein.)

Assuming that the minimum Offering of 4,000 Units is sold, the gross proceeds to the Trusts will be \$5,000,000. Of this amount, \$1,000,000 will be received by the Realty Trust and will be invested in the acquisition of 4,000 LP Units, and \$4,000,000 will be received by the Debenture Fund and invested in 4,000 Debentures. The gross proceeds therefore received by the Limited Partnership, plus estimated Mortgage

Loans in the aggregate principal amount of 10,372,983 will be used by the Limited Partnership to: pay Agents' commissions and fees of \$400,000; pay the other expenses of this Offering estimated at \$225,000; pay the estimated aggregate purchase price of as yet unidentified Properties of \$14,112,902; pay due diligence and documentation costs relating to the purchase of such Properties of \$282,258; create reserves for renovation and upgrading of such Properties of \$70,565; create reasonable working capital reserves for such Properties of \$70,565; and pay the Financing Fee of \$211,693. (Refer to "Use of Proceeds" on page 12 herein.)

**Redemption of Units:
Trust Units**

Trust Units will be redeemable at any time on the demand of the Trust Unitholders, subject to applicable law and certain other conditions. Trust Units will be redeemed at a redemption price per Trust Unit equal to either:

- (a) where the Trust Units are listed on a stock exchange or similar market, an amount equal to the lesser of (i) 95% of the market price of the Trust Units during the 10 trading day period after the redemption date; and (ii) 100% of the closing market price of the Trust Units on the redemption date; or
 - (b) where the Trust Units are not listed on a stock exchange or similar market, 95% of
 - (i) the aggregate value of the real estate assets of the Limited Partnership on the last day of the most recent calendar quarter that ends prior to the redemption date, or, where the amount would be a lesser amount, on the redemption date itself, as determined by the General Partner; plus
 - (ii) the aggregate value of the cash and other working capital assets of the Limited Partnership and of the Realty Trust on the redemption date; less
 - (iii) the aggregate of:
 - (A) the aggregate value of the Limited Partnership's liabilities on the redemption date (including the aggregate amount of the Debentures outstanding on the redemption date);
 - (B) the amount which would be payable to the General Partner or the Debenture Fund (other than amounts included in (iii)(A) above) if the Limited Partnership was terminated and then liquidated on the redemption date; and
 - (C) the aggregate value of the Realty Trust's liabilities on the redemption date,
- divided by the number of outstanding Trust Units on the redemption date.

The redemption price per Trust Unit multiplied by the number of Trust Units tendered for redemption will be paid to a Trust Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Trust Units were tendered for redemption, provided that:

- (a) the total amount payable by the Realty Trust by cash payment in respect of the redemption of Trust Units for that calendar quarter will not exceed \$50,000;
- (b) the total amount payable by the Realty Trust by cash payment in respect of the redemption of Trust Units in any twelve month period ending at the end of that calendar quarter will not exceed 3/4 of 1% of the aggregate subscription price of all Trust Units that were issued and outstanding at the start of such twelve month period;
- (c) after such payment the ratio of the aggregate principal amount outstanding in respect of the Debentures relative to the aggregate capital accounts in respect of outstanding LP Units would not exceed 4:1; and
- (d) the normal trading of the Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed for trading on the redemption date or for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

If any of the conditions in paragraphs (a) to (d) above preclude the payment of the redemption price in cash, the redemption price shall be paid and satisfied by way of a distribution *in specie* to the Trust Unitholder of a number of LP Units having an aggregate value, determined on the redemption date based on the redemption price of the LP Units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption price per Trust Unit multiplied by the number of Trust Units tendered for redemption.

**Redemption of Units:
Fund Units**

Fund Units will be redeemable at any time on the demand of the Fund Unitholders, subject to applicable law and certain other conditions. Fund Units will be redeemed at a redemption price per Fund Unit equal to either:

- (a) where the Fund Units are listed on a stock exchange or similar market, an amount equal to the lesser of (i) 95% of the market price of the Fund Units during the 10 trading day period after the redemption date; and (ii) 100% of the closing market price of the Fund Units on the redemption date; or
- (b) where the Fund Units are not listed on a stock exchange or similar market, 95% of the aggregate principal amount of the Debentures on the redemption date plus

(i) the aggregate value of the cash and other working capital assets of the Debenture Fund; less

(ii) the aggregate value of the Debenture Fund's liabilities on the redemption date,

divided by the number of outstanding Fund Units on the redemption date.

The redemption price per Fund Unit multiplied by the number of Fund Units tendered for redemption will be paid to a Fund Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Fund Units were tendered for redemption, provided that:

(a) the total amount payable by the Debenture Fund by cash payment in respect of the redemption of Fund Units for that calendar quarter will not exceed \$50,000;

(b) the total amount payable by the Debenture Fund by cash payment in respect of the redemption of Fund Units in any twelve month period ending at the end of that calendar quarter will not exceed 3/4 of 1% of the aggregate subscription price of all Fund Units that were issued and outstanding at the start of such twelve month period;

(c) after such payment the ratio of the aggregate principal amount outstanding in respect of the Debentures relative to the aggregate capital accounts in respect of outstanding LP Units would not be less than 4:1; and

(d) the normal trading of the Fund Units is not suspended or halted on any stock exchange on which the Fund Units are listed for trading on the redemption date or for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

If any of the conditions in paragraphs (a) to (d) above preclude the payment of the redemption price in cash, the redemption price shall be paid and satisfied by way of a distribution to the Fund Unitholder of a number of Debentures having an aggregate principal amount, determined on the redemption date, equal to the redemption price per Fund Unit multiplied by the number of Fund Units tendered for redemption.

Management:

The directors of each of the Realty Trustee and the Debenture Fund Trustee are Robert King and James Redekop. The sole officers of the Realty Trustee and the Debenture Fund Trustee are Darren Latoski, President, and Robert King, Secretary.

The Limited Partnership is managed by the General Partner and does not have a board of directors. The General Partner's directors are Darren Latoski and Steve Evans, who serve as the General Partner's President

and Secretary, respectively. (Refer to “Directors and Officers” on page 46 herein.)

Risk Factors:

These securities are speculative in nature. Investors should consider the following risk factors before purchasing Units:

This is a Blind Pool Offering; Reliance on Management of the General Partner – The net proceeds of the Offering will be invested in LP Units and Debentures, and are intended to be used by the Limited Partnership for the acquisition of one or more Properties. However, the specific Properties in which the Limited Partnership will invest have not yet been determined. Depending on the return on investment achieved on the Properties that may be acquired by the Limited Partnership, the Unitholders’ return on their respective investments in the Trust Units and Fund Units will vary. Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and its principals, Darren Latoski and Steve Evans.

No Market for Units or the Underlying Securities – There currently is no market for the Units, or for the underlying Trust Units and Fund Units, or the LP Units and Debentures, and it is expected that there will be no market for the Units, Trust Units, Fund Units, LP Units or Debentures.

Less than Full Offering – There can be no assurance that this Offering will be completely sold out.

Risks of Real Estate Ownership – An investment in Trust Units and Fund Units is an indirect investment in real estate through the Limited Partnership’s investment in the Properties. Investment in real estate is subject to numerous risks, which include but are not limited to the following:

- (a) *Financing Risks* – There is no assurance that the Limited Partnership will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties on commercially acceptable terms or at all. There is also no assurance that any Mortgage Loans, if obtained, will be renewed when they mature. In the absence of mortgage financing, the number of Properties which the Limited Partnership will be able to purchase will decrease and the return from the ownership of Properties may be reduced.

The Limited Partnership may not be able to generate sufficient funds through the operation of the Properties to make the payments of principal and interest due on the Mortgage Loans, and, upon default, one or more Lenders could exercise its rights including, without limitation, foreclosure or sale of the Properties.

- (b) *Interest Rate Fluctuations* - The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Limited Partnership’s cost of

borrowing.

- (c) *Environmental Matters* – Under various environmental and ecological laws, the Limited Partnership could become liable for the costs of removal or remediation of certain hazardous or toxic substances that may be released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such substances, if any, may adversely affect the Limited Partnership's ability to sell such a Property or to borrow using such Property as collateral, and could potentially also result in claims against the Limited Partnership by private parties.
- (d) *Uninsured Losses* – The General Partner will arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those to be owned by the Limited Partnership and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses are either uninsurable or not economically insurable.
- (e) *Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the Mortgage Loans or to fund changes in any variable rates of interest charged in respect of such loans.

Net Worth of the General Partner – The General Partner, which has unlimited liability for the obligations of the Limited Partnership, has no material net worth. If the Limited Partnership is not able to generate sufficient funds to meet its obligations, the General Partner will be exposed to bankruptcy or insolvency, which could prevent the General Partner from implementing the Limited Partnership's business strategy.

Reliance on Property Management – The General Partner will not have the management personnel to manage the Properties, but will rely upon independent management companies to perform this function. The employees of the management companies will devote so much of their time to the management of the Properties as in their judgement is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

Competition for Real Property Investments – The Limited Partnership will compete for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles, and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments similar to those sought by the Limited Partnership. Such increased competition would tend to increase purchase prices of real estate properties and reduce the yield on such investments.

Liability of Unitholders – There is a risk that a Trust Unitholder or Fund Unitholder could be held personally liable for obligations in connection

with the Realty Trust or Debenture Fund, respectively (to the extent that claims are not satisfied by the Realty Trust or Debenture Fund, as the case may be). The Realty Trust Declaration and the Debenture Fund Declaration provide that no Unitholder shall be held to have any personal liability as such for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Realty Trust or Debenture Fund or their respective Trustees (to the extent that claims are not satisfied by the Trust). In any event, each of the Realty Trust Declaration and the Debenture Fund Declaration requires the Trustees to ensure that any written contract or commitment of either the Realty Trust or Debenture Fund (except where not reasonably possible) include an express limitation of liability.

Risks associated with Redemptions

- (a) *Use of Available Cash* - The payment in cash by the Realty Trust and Debenture Fund, respectively, of the redemption price of Trust Units and Fund Units will reduce the amount of cash available to the Realty Trust and Debenture Fund for the payment of distributions to the holders of Trust Units and Fund Units, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.
- (b) *Limitation on Payment of Redemption Price in Cash* – The total cash amount available for the payment of the redemption price of Trust Units or Fund Units by the Realty Trust and Debenture Fund, respectively, is limited to \$50,000 in each calendar quarter and is limited in any twelve month period to 3/4 of 1% of the aggregate subscription price of all Trust Units or Fund Units, as the case may be that were issued and outstanding at the start of such twelve month period. Further, certain requirements must be satisfied with respect to the ratio of the aggregate amount outstanding in respect of Debentures relative to the aggregate capital accounts in respect of LP Units in order for the redemption price to be paid in cash.
- (c) *Payment of Redemption Price in Kind* - As a result of the foregoing limitations, the redemption of Trust Units may be paid by way of a distribution *in specie* of LP Units and the redemption of Fund Units may be paid by a distribution *in specie* of Debentures. LP Units received as a result of redemptions of Trust Units, and Debentures received as a result of redemptions of Fund Units, may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan, including the redeeming Unitholder becoming subject to a penalty tax, the Plan annuitant being deemed to receive income from the Plan, or, in the case of an RESP, having the Plan's tax exempt status revoked. Accordingly, Plans that propose to invest in Trust Units or Fund Units should consult their own tax advisors before doing so and before deciding to exercise the redemption rights attached to such Units.

(d) *Limited Rights to Redeem LP Units and Debentures* – The rights to redeem LP Units and Debentures are limited. If, in any given year, the Limited Partnership receives notices requiring it to redeem a number of LP Units and Debentures in excess of 5% of the total number of LP Units and Debentures issued by Limited Partnership, or if insufficient funds are available to redeem the number of LP Units and Debentures in respect of which a request for redemption has been made, then the redemption of LP Units and Debentures in that year will be made on a pro rata basis. The number of LP Units and Debentures redeemed will be limited to the lesser of 5% of the total number of LP Units and Debentures issued by the Limited Partnership and that number of LP Units and Debentures for which funds are determined to be available. Therefore, there can be no assurance that Unitholders who receive LP Units and Debentures upon the redemption of their Trust Units and Fund Units will be able to redeem such LP Units or Debentures when they wish to do so. (Refer to “Description of the Securities Distributed – LP Units - Limited Redemption Rights” at page 37 herein for further particulars.)

Tax Matters – The tax treatment of investment and real estate activities and of the Trusts and Limited Partnership has a material effect on the advisability of an investment in the Units. (Refer to “Canadian Federal Income Considerations” on page 62 herein).

For a more complete discussion of the risks associated with an investment in Units, refer to “Risk Factors” commencing on page 79 herein, and also to “Directors and Officers – Potential Conflicts of Interest (Directors and Officers)” commencing on page 57 herein.

Summary Financial Information:

Included in this Prospectus are: audited financial statements of Sunstone Opportunity (2006) Realty Trust for the period from formation on August 18, 2006 to August 21, 2006; audited financial statements of Sunstone Opportunity (2006) Debenture Fund for the period from formation on August 18, 2006 to August 21, 2006; audited financial statements of Sunstone Opportunity Fund (2006) Limited Partnership for the period from formation on August 18, 2006 to August 21, 2006 and audited financial statements of Sunstone Realty Advisors (2006) Inc. for the period from formation on August 16, 2006 to August 21, 2006.

1. GLOSSARY OF TERMS

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

- (a) **“Agency Agreement”** means an agreement dated as of August 25, 2006 between the Realty Trustee, as trustee for and on behalf of the Realty Trust, the Debenture Fund Trustee, as trustee for and on behalf of the Debenture Fund, SRAI and the Agents;
- (b) **“Agents”** means, collectively, the Lead Agent, Blackmont Capital Inc., Sora Group Wealth Advisors Inc., Raymond James Ltd., Bieber Securities Inc., Laurentian Bank Securities Inc. and MGI Securities Inc.;
- (c) **“Administration Agreement”** means an agreement dated as of August 18, 2006 between the General Partner, the Realty Trust and the Debenture Fund pursuant to which the General Partner will provide administrative services to the Trusts;
- (d) **“CBCA”** means the *Business Corporations Act* (Canada), as amended from time to time;
- (e) **“Cost Sharing and Recovery Agreement”** means an agreement dated as of August 18, 2006 between the Limited Partnership, the Realty Trust and the Debenture Fund pursuant to which the Limited Partnership agreed to bear all of the costs of this Offering in connection with the issuance of Debentures and LP Units by the Limited Partnership, and to reimburse the Realty Trust and the Debenture Fund for any costs incurred in connection with the transactions described in this Offering;
- (f) **“Debenture Fund”** means Sunstone Opportunity (2006) Debenture Fund, an open-ended investment trust established pursuant to the laws of the Province of British Columbia;
- (g) **“Debenture Fund Declaration”** means the Declaration of Trust establishing the Debenture Fund made as of August 18, 2006 among the Debenture Fund Trustee, SRAI as settlor, and all persons who become holders of Funds Units as provided therein;
- (h) **“Debenture Fund Property”** means all of the property and assets of the Debenture Fund held in trust by the Debenture Fund Trustee pursuant to the Debenture Fund Declaration;
- (i) **“Debenture Fund Trustee”** means SRAI Debenture Fund (2006) Inc., a closely-held British Columbia corporation;
- (j) **“Debenture Indenture”** means the indenture dated as of August 18, 2006 pursuant to which the Limited Partnership authorizes the issuance of up to \$60,000,000 in Debentures;
- (k) **“Debentureholder”** means any holder of Debentures including the Debenture Fund;
- (l) **“Debentures”** means debentures issued by the Limited Partnership, each in the principal amount of \$1,000 maturing on October 31, 2011 and bearing interest at a rate of 8% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing January 15, 2007;

- (m) **“Disposition Fee”** means a fee in the amount of 1.5% of the gross sales price of a Property, plus GST if applicable, payable to the General Partner in consideration of the General Partner negotiating and finalizing the sale of such Property on behalf of the Limited Partnership;
- (n) **“Final Prospectus”** means the final version of this Prospectus which will be filed by the Issuers with the Securities Commissions;
- (o) **“Financing Fee”** means a fee payable to the General Partner for financing services, in an amount equal to 1.5% of the gross purchase price of a Property, plus GST if applicable, and payable to the General Partner upon the completion of the purchase of each Property;
- (p) **“Fund Unit”** means a redeemable unit of beneficial interest in the Debenture Fund;
- (q) **“Fund Unitholder”** means a holder of record of any Fund Unit;
- (r) **“General Partner”** means Sunstone Realty Advisors (2006) Inc., a closely-held British Columbia company, being the general partner of the Limited Partnership;
- (s) **“General Partner Services Agreement”** means an agreement dated as of August 18, 2006 between the Limited Partnership and the General Partner pursuant to which the General Partner has agreed to provide certain services to the Limited Partnership;
- (t) **“GST”** means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada), or, if the context requires, any similar sales or value added tax;
- (u) **“Incentive Management Interest”** means an allocation and distribution to be made, subject to the payment of the Limited Partners’ Minimum Return, to the General Partner from the Limited Partnership in an amount equal to 20/80ths of the total to the date of such allocation and distribution of (a) the total payments made to Limited Partners in respect of the Limited Partners’ Minimum Return, and (b) the interest paid on the Debentures, thereby providing the General Partner with a 20% share of the total of the interest paid on the Debentures and the amounts allocated and distributed to the Limited Partners by the Limited Partnership up to such date;
- (v) **“Income Share”** means an allocation of the Limited Partner’s proportionate share of the income or loss of the Limited Partnership, subject to certain adjustments which may be made by the General Partner to ensure a fair allocation of income and expenses on a cumulative, proportionate basis;
- (w) **“Initial Limited Partner”** means SRA First Partner Ltd., a closely-held British Columbia company;
- (x) **“Issuers”** means, collectively, Sunstone Opportunity (2006) Realty Trust, Sunstone Opportunity (2006) Debenture Fund and Sunstone Opportunity Fund (2006) Limited Partnership;
- (y) **“Lead Agent”** means Dundee Securities Corporation;
- (z) **“Lender”** means a lender and mortgagee of any of the Mortgage Loans;
- (aa) **“Limited Partners”** means holders of record of any LP Units;

- (bb) **“Limited Partners’ Minimum Return”** means a minimum return to the Limited Partners of 8% per annum, cumulative but not compounded, calculated on the Limited Partners’ Net Equity in the Limited Partnership;
- (cc) **“Limited Partnership”** means Sunstone Opportunity Fund (2006) Limited Partnership, a British Columbia limited partnership;
- (dd) **“Limited Partnership Agreement”** means the agreement establishing the Limited Partnership made as of August 15, 2006 among the General Partner, SRA First Partner Ltd. and all persons who subscribe for LP Units;
- (ee) **“LP Unitholder”** means any holder of LP Units including the Realty Trust;
- (ff) **“LP Units”** means units in the capital of the Limited Partnership, issued pursuant to the terms of the Limited Partnership Agreement;
- (gg) **“Mortgage Loans”** means one or more mortgages on the Properties to be granted by the Limited Partnership (or, if a Property is held by a nominee entity on behalf of the Limited Partnership, by such entity) to one or more Lenders, the proceeds of which will be used to finance the purchase, ownership and operation of such Properties;
- (hh) **“Net Asset Value”** means the greater of: (a) the total gross cash proceeds from this Offering; and (b) the total purchase price of the Properties including all fees and expenses and cash reserves, less the outstanding Mortgage Loans;
- (ii) **“Net Equity”** means the cash paid by a Limited Partner in respect of his, her or its LP Units, being \$250 per LP Unit, less the aggregate of any distributions made to the Limited Partner arising from a capital transaction, such as a refinancing, sale or expropriation of a Property, or the receipt of insurance proceeds;
- (jj) **“Net LP Subscription Proceeds”** means the net proceeds received by the Limited Partnership from the issuance of LP Units and Debentures, being after any payment by the Limited Partnership to the Realty Trust and the Debenture Fund pursuant to the Cost Sharing and Recovery Agreement of any Agents’ commission, fees and expenses and the other expenses of this Offering to the extent initially paid by the Realty Trust or Debenture Fund;
- (kk) **“Offering”** means the offering of a minimum of 4,000 Units at a price of \$1,250 per Unit for gross proceeds of \$5,000,000 and a maximum of 36,000 Units at a price of \$1,250 per Unit for gross proceeds of \$45,000,000. Units may only be acquired and held in blocks of ten Units;
- (ll) **“Offering Price”** means \$1,250 per Unit;
- (mm) **“Ordinary Resolution”** in respect of the Realty Trust, Debenture Fund, or Limited Partnership, as the case may be, means a resolution approved by not less than 50% of the votes cast by those Trust Unitholders, Fund Unitholders or Limited Partners, as the case may be, who vote in person or by proxy at a duly convened meeting of Trust Unitholders, Fund Unitholders or Limited Partners, or a written resolution signed by Trust Unitholders, Fund Unitholders or Limited Partners entitled, in the aggregate, to not less than 50% of the aggregate number of votes of the Trust Unitholders, Fund Unitholders or Limited Partners;

- (nn) **“Plans”** means RRSPs, RESPs, registered retirement income funds, and deferred profit sharing plans, as those phrases are defined in the Tax Act, and “Plan” means any of them ;
- (oo) **“Property”** means one of the Properties;
- (pp) **“Properties”** means the lands and premises or interests therein purchased, owned and operated by the Limited Partnership;
- (qq) **“Proportionate Share”** for each LP Unit or Limited Partner, as the case may be, means that fraction which:
 - (i) has as its denominator the aggregate of the total cash proceeds received by the Limited Partnership from subscriptions for LP Units; and
 - (ii) has as its numerator:
 - A. in the case of an LP Unit, the aggregate of the subscription price of such LP Unit; and
 - B. in the case of a Limited Partner the aggregate of the total subscription price paid by such Limited Partner for all of his, her or its LP Units.
- (rr) **“Prospectus”** means this prospectus and any amendments thereto;
- (ss) **“Purchaser”** means the purchaser of a Unit;
- (tt) **“Qualifying Provinces”** means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island;
- (uu) **“Realty Trust”** means Sunstone Opportunity (2006) Realty Trust, an open-ended investment trust established pursuant to the laws of the Province of British Columbia;
- (vv) **“Realty Trust Declaration”** means the Declaration of Trust establishing the Realty Trust made as of August 18, 2006 among the Realty Trustee, SRAI as settlor, and all persons who become holders of Trust Units as provided therein;
- (ww) **“Realty Trust Property”** means all of the property and assets of the Realty Trust held in trust by the Realty Trustee pursuant to the Realty Trust Declaration;
- (xx) **“Realty Trustee”** means SRAI Realty Trust (2006) Inc., a closely-held British Columbia corporation;
- (yy) **“Receipt”** means a mutual reliance review system (MRRS) decision document issued by or on behalf of a Securities Commission for the Final Prospectus pursuant to National Policy 43-201, and each receipt issued for the Final Prospectus by a Securities Commission that opts out of the MRRS system;
- (zz) **“Related Party”** means, with reference to any of the Issuers, any of the following: (1) any person who participates in the management of any of the Issuers, the Realty Trustee, the Debenture Fund Trustee, or, with respect to the Limited Partnership, the General Partner; (2) any person who participates in the management of a Property; (3) the contractor, where the proceeds from the

Offering are used to build or develop a Property; (4) a promoter or an affiliate of a promoter; (5) an affiliate of a person mentioned in (1), (2) or (3), or a person with whom any such affiliate is associated, including limited partnerships or other real estate entities set up by any such persons; or (6) any director or officer of a person mentioned in (1), (2), (3), (4) or (5), as well as the persons with whom he or she is associated;

- (aaa) “**RESPs**” means registered education savings plans as defined in the Tax Act;
- (bbb) “**RRSPs**” means registered retirement savings plans as defined in the Tax Act;
- (ccc) “**Securities**” means the Units, the Trust Units and the Fund Units, and the LP Units and Debentures;
- (ddd) “**Securities Commission**” means any one of the Securities Commissions;
- (eee) “**Securities Commissions**” means, collectively, the securities commissions or other securities regulatory authorities in the Qualifying Provinces;
- (fff) “**Special Resolution**” means:
 - (i) in the case of the Realty Trust and Debenture Fund, a resolution approved by not less than 75% of the votes cast by those Trust Unitholders or Fund Unitholders, as the case may be, who vote in person or by proxy at a duly convened meeting of Trust Unitholders or Fund Unitholders, or a written resolution signed by Trust Unitholders or Fund Unitholders entitled, in the aggregate, to not less than 75% of the aggregate number of votes of the Trust Unitholders or Fund Unitholders; and
 - (ii) in the case of the Limited Partnership, a resolution approved by not less than 66²/₃% of the Limited Partners who vote in person or by proxy at a duly convened meeting of Limited Partners, or a written resolution signed by Limited Partners entitled, in the aggregate, to not less than 66²/₃% of the aggregate number of votes of the Limited Partners;
- (ggg) “**SRAI**” means Sunstone Realty Advisors Inc., a closely-held British Columbia company, and the promoter of this Offering;
- (hhh) “**Sunstone LP**” means Sunstone Opportunity Fund Limited Partnership, a British Columbia limited partnership;
- (iii) “**Sunstone (2004) LP**” means Sunstone Opportunity Fund (2004) Limited Partnership, a British Columbia limited partnership;
- (jjj) “**Sunstone (2005) LP**” means Sunstone Opportunity Fund (2005) Limited Partnership, a British Columbia limited partnership;
- (kkk) “**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time;
- (lll) “**Trust Unit**” means a redeemable unit of beneficial interest in the Realty Trust; and
- (mmm) “**Trust Unitholder**” means a holder of record of any Trust Unit;

- (nnn) ***“Trusts”*** mean collectively, Sunstone Opportunity (2006) Realty Trust and Sunstone Opportunity (2006) Debenture Fund;
- (ooo) ***“Unitholder”*** means a holder of record of any Trust Unit or Fund Unit;
- (ppp) ***“Units”*** means a minimum of 4,000 units and a maximum of 36,000 units to be offered by the Trusts pursuant to the Prospectus, and each such unit consisting of one Trust Unit and one Fund Unit.

2. CORPORATE STRUCTURE

2.1 Name and Incorporation

Realty Trust

The Realty Trust is an open-ended unincorporated investment trust governed by the laws of the Province of British Columbia. The Realty Trust was formed by a Declaration of Trust made August 18, 2006 among the Realty Trustee, SRAI as settlor, and all persons who become holders of Trust Units as provided therein.

The trustee of the Realty Trust is SRAI Realty Trust (2006) Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on August 17, 2006 under incorporation number BC0766383.

The head office and address for service of the Realty Trust and the Realty Trustee is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. The Realty Trustee's registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

Debenture Fund

The Debenture Fund is an open-ended unincorporated investment trust governed by the laws of the Province of British Columbia. The Debenture Trust was formed by a Declaration of Trust made August 18, 2006 among the Debenture Fund Trustee, SRAI as settlor, and all persons who become holders of Fund Units as provided therein.

The trustee of the Fund Trust is SRAI Debenture Fund (2006) Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on August 17, 2006 under incorporation number BC0766404.

The head office and address for service of the Debenture Trust and the Debenture Fund Trustee is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. The Debenture Fund Trustee's registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

Limited Partnership

The Limited Partnership was formed by a certificate filed pursuant to the *Partnership Act* (British Columbia) on August 16, 2006 under number 431504-06. The head office and address for service of the Limited Partnership is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. The Limited Partnership's registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

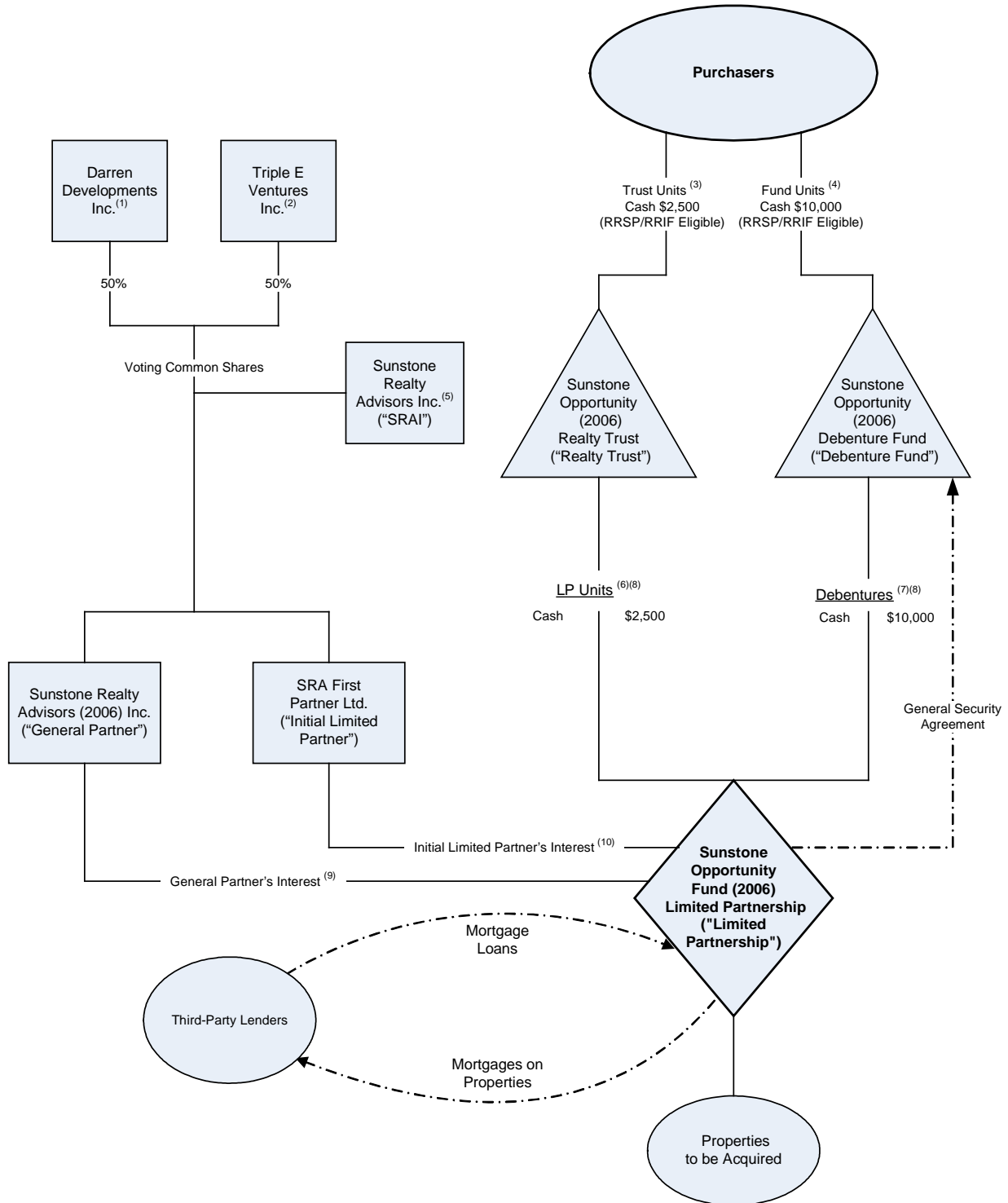
The General Partner

The general partner of the Limited Partnership is Sunstone Realty Advisors (2006) Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on August 16, 2006 under incorporation number BC0766300. The head office and address for service of the General Partner is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. The General Partner's registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

2.2 Intercorporate Relationships

The following chart sets forth the relationships among the Realty Trust, the Debenture Trust, the Realty Trustee, the Debenture Trustee, the General Partner, and the Limited Partnership, each entity having been organized under the laws of the Province of British Columbia. The chart also illustrates the means by which funds invested by the public under this Prospectus flow through to the Limited Partnership.

Investment Structure



All entities are incorporated or established under the laws of British Columbia

Notes:

- (1) Darren Latoski is the sole director, officer and shareholder of Darren Developments Inc.
- (2) Steve Evans is the sole director, officer and shareholder of Triple E Ventures Inc.
- (3) The terms and conditions attaching to each Trust Unit are summarized in “Description of the Securities Distributed – Trust Units” at page 17 herein.
- (4) The terms and conditions attaching to each Fund Unit are summarized in “Description of the Securities Distributed – Fund Units” at page 25 herein.
- (5) SRAI has made a capital contribution of \$10 to each of the Realty Trust and the Debenture Fund, which comprises the initial property of the Realty Trust and the Debenture Fund, respectively. SRAI has no further obligation to contribute capital to the Realty Trust or the Debenture Fund. SRAI is entitled to receive the return of its \$10 capital contributions upon the first closing of Trust Units and Fund Units.
- (6) The terms and conditions attaching to each LP Unit are summarized in “Description of the Securities Distributed – LP Units” at page 33 herein.
- (7) The terms and conditions attaching to each Debenture are summarized in “Description of the Securities Distributed – Debentures” at page 40 herein.
- (8) The Realty Trust will invest the gross proceeds received from the issuance of Trust Units in the acquisition of an equal number of LP Units, at a price of \$250 per LP Unit. The Debenture Fund will invest the gross proceeds received from the issuance of Fund Units in the acquisition of an equal number of Debentures issued by the Limited Partnership. Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear all of the costs and expenses of this Offering in connection with the issuance of LP Units and Debentures by the Limited Partnership. Therefore, the gross proceeds from the issuance of Units will be invested in the Limited Partnership and the net proceeds from the issuance of the Units will be invested in the acquisition, operation and maintenance of the Properties.
- (9) The General Partner has made a capital contribution of \$10 to the Limited Partnership, and has no further obligation to contribute capital. The General Partner is entitled to receive .005% of the net income or net losses of the Limited Partnership to a maximum of \$100 per annum plus its Incentive Management Interest. (Refer to “Description of the Securities Distributed – LP Units” at page 33 herein.) The General Partner has also agreed to provide certain services to the Limited Partnership pursuant to the General Partner Services Agreement, as described in more detail under the heading “Executive Compensation – Management Agreements” on page 58 herein.
- (10) The Initial Limited Partner has made a capital contribution of \$10 to the Limited Partnership, and has no further obligation to contribute capital. The Initial Limited Partner is entitled to receive .005% of the net income or net losses of the Limited Partnership to a maximum of \$100 per annum. (Refer to “Description of the Securities Distributed – LP Units” at page 33 herein.)
- (11) By way of the Cost Sharing and Recovery Agreement, the Limited Partnership will bear all costs and expenses of this Offering in connection with its issuance of LP Units and Debentures. Assuming that all 36,000 Units are sold pursuant to this Offering, and that the aggregate expenses of this Offering will be \$400,000, the net proceeds from the sale of each Unit will be \$1,138.89 (calculated by deducting from the gross proceeds of \$1,250.00 per Unit: (a) the Agents’ 8% selling commission of \$100.00 per Unit; and (b) the proportionate expenses of the Offering allocable to each Unit in the amount of \$11.11). Assuming that the minimum Offering of 4,000 Units is sold, and that the aggregate expenses of the minimum Offering will be \$225,000, the net proceeds from the sale of each Unit will be \$1,093.75 (calculated by deducting from the gross proceeds of \$1,250 per Unit: (a) the Agents’ 8% selling commission of \$100.00 per Unit; and (b) the proportionate expenses of the Offering allocable to each Unit in the amount of \$56.25).

3. DESCRIPTION OF THE BUSINESSES OF THE ISSUERS

3.1 Business of the Realty Trust

The Realty Trust has been established for the purposes of investing in LP Units. The Realty Trust will also temporarily hold cash and money market investments for the purposes of paying the expenses and liabilities of the Realty Trust, pay amounts payable by the Realty Trust in connection with the redemption of any Trust Units, and make distributions to Trust Unitholders. The principal business of the Realty Trust will be to issue Trust Units and acquire and hold LP Units.

The Realty Trust's long-term objective is to earn income by way of distributions from the Limited Partnership to holders of the LP Units, which will originate from a diversified portfolio of high quality income-producing residential and/or commercial real estate Properties in Canada owned by the Limited Partnership. An investment in Trust Units is intended to provide Purchasers with the opportunity to receive cash distributions originating from the ongoing operation of the Properties; the opportunity to receive, in certain circumstances, the proceeds from a refinancing of the Mortgage Loans; and the opportunity to receive, in certain circumstances, a portion of the gains derived from the development of a real estate Property or Properties.

3.2 Business of the Debenture Fund

The Debenture Fund has been established for the purposes of investing in Debentures. The Debenture Fund will also temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Debenture Fund, pay amounts payable by the Debenture Fund in connection with the redemption of any Fund Units, and make distributions to Fund Unitholders. The principal business of the Debenture Fund will be to issue Fund Units and acquire and hold Debentures.

The Debenture Fund's long-term objective is to earn interest income from its investment in Debentures, to distribute such interest income to holders of the Fund Units in accordance with the terms of the Debenture Fund Declaration, and to redeem the Fund Units upon the repayment of the Debentures by the Limited Partnership. An investment in Fund Units is intended to provide Purchasers with the opportunity to receive cash distributions originating from the payment of interest on the Debentures.

3.3 Business of the Limited Partnership

The gross proceeds from the issuance of the Units will be invested in the Limited Partnership through the Realty Trust's investment in LP Units and the Debenture Fund's investment in Debentures.

The Limited Partnership has been established for the purpose of owning and operating a diversified portfolio of high quality income-producing residential and/or commercial real estate Properties in Canada (or proportionate interests in such Properties) and for limited investment in real estate development opportunities.

The General Partner will focus on purchasing properties which, in the opinion of the General Partner, are currently operating below their full potential. The General Partner intends to invest the proceeds realized from the issuance of LP Units and Debentures in high quality income-producing residential and/or commercial real estate properties, including mixed use light industrial and retail properties. The General Partner intends to concentrate on identifying properties for possible acquisition in strong growth markets, and to aggressively manage and reposition the Properties with the view to preserving capital and providing quarterly cash returns.

All Properties will be purchased at prices and on terms negotiated with arm's length third party vendors. In some cases, the Properties will be acquired pursuant to agreements of purchase and sale entered into by SRAI with arm's length third party vendors, which will be assigned by SRAI to the Limited Partnership at no cost other than reimbursement of any deposits (some of which may be refundable to the Limited Partnership) and due diligence expenses paid by SRAI prior to such assignment.

The General Partner will be focusing on commercial properties for investment by the Limited Partnership, as they typically offer a higher cash yield than residential properties, yet can still offer a diversified tenant mix with a reduced lease renewal exposure. As well, the General Partner believes that in the current market there exist excellent opportunities to acquire individual properties from the owners or managers of larger property portfolios, where such properties do not fit the current asset mix of the portfolio. In doing so, the General Partner believes it can optimize investor yield through quarterly cash flow distributions and potential long-term capital appreciation, while diversifying the risks associated with real estate ownership.

The General Partner will have a detailed inspection report prepared by an independent inspection firm for each property that is proposed for acquisition by the Limited Partnership, and will have any such property appraised by a qualified appraiser who is recognized as an Accredited Appraiser, Canadian Institute.

The Limited Partnership may also invest up to that amount which is equal to 15% of the net proceeds from the issuance of LP Units and Debentures in the development of a residential or commercial property. The General Partner intends that any such investment will be by way of participation in a joint venture, partnership, or other similar investment vehicle, through which the Limited Partnership will join with an established developer which has local knowledge and experience in the marketplace in which the development will be located. The General Partner intends that any such development will be in strong growth markets, and will have a significant level of pre-sales or pre-leasing prior to commencement. The General Partner has targeted limited investment in development opportunities in order to enhance the return on the Limited Partnership's capital and the investor's yield, while retaining a diversified portfolio and conservative risk profile for the Limited Partnership as a whole.

Investment Objectives

The Limited Partnership's primary investment objectives are as follows:

- (a) to provide an investment in a diversified portfolio of quality commercial revenue-producing Properties with positive cash flow;
- (b) to provide an opportunity to enhance the Limited Partnership's return on capital and the investor's yield through limited investment in real estate development opportunities;
- (c) to provide quarterly cash flow distributions targeted at 8%, upon full investment of the net proceeds allocated to the purchase price of Properties; and
- (d) to enhance the potential for long-term growth of capital through value-added enhancements to the Properties and organic growth in rental rates, combined with an overall reduction in capitalization rates. A reduction in capitalization rates may occur during periods of increasing demand for real estate investment opportunities, when investors become prepared to pay higher prices for the same level of net operating income.

Guidelines for Property Acquisitions

The General Partner intends to cause the Limited Partnership to comply with the following general guidelines in acquiring Properties:

- (a) assuming all 36,000 LP Units and 36,000 Debentures offered under this Prospectus are issued, not more than 40% of the net proceeds from such issuance (being the gross proceeds less the amount paid by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement on account of the Agents' commission and the expenses of this Offering) will be applied to the acquisition of any one Property;
- (b) assuming all 36,000 LP Units and 36,000 Debentures offered under this Prospectus are issued, not more than 15% of the net proceeds from such issuance will be invested in real estate development opportunities, through joint ventures, partnerships or similar entities;
- (c) in the event that less than 36,000 LP Units and 36,000 Debentures are issued, it may be necessary to apply more than 40% of the net proceeds to the acquisition of any one Property, given the guideline discussed in paragraph (d) below, or more than 15% of the net proceeds to investment in a real estate development opportunity, including applying up to 100% of the net proceeds to the acquisition of as little as one Property (after the creation of a reasonable reserve for renovation and upgrading of the Property, and the creation of a reasonable working capital reserve for the Property); and
- (d) upon purchase, each Property (other than a development property) would be expected to generate a positive cash return, exclusive of the payment of principal on the Mortgage Loans for such Property, on the Limited Partnership's invested capital in the Property of not less than 6% per annum, with a target range of 8% per annum. The General Partner will be able to waive this minimum requirement for Properties which the General Partner believes provide unique value added opportunities through capital improvement programs, replacement of management, re-leasing or similar initiatives.

Alignment of Interests

The General Partner believes that individual investors should have the same opportunities as institutions, pension funds and high net worth individuals. With this goal in mind, an investment in LP Units and Debentures has been structured to align the interests of the General Partner with those of the Limited Partners and Debentureholders. In the event of any capital transaction in respect of the Properties, including a sale or a refinancing of the Properties, the General Partner will be entitled to receive any unpaid Incentive Management Interest only after the Debentures have been repaid in full, all interest due on the Debentures has been paid in full, all Net Equity has been returned to the Limited Partners, and the Limited Partners have received full payment of the Limited Partners' Minimum Return. (Refer to "Description of the Securities Distributed – LP Units" at page 33 herein.)

Debentures

The Limited Partnership has authorized the issuance of up to \$60,000,000 in Debentures, of which \$36,000,000 are offered under this Prospectus. The Debentures bear interest at an annual rate of 8.0%. Interest will be payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing January 15, 2007, in respect of the interest accrued during the immediately preceding calendar quarter. The Debentures will be due on October 31, 2011, which is approximately five years from the date of the initial investment in Debentures by the Debenture Fund.

The Debentures will be secured by way of a general security agreement executed by the Limited Partnership in favour of the Debenture Fund, notice of which will be registered in any province in which the Limited Partnership commences to carry on business. This general security agreement does not, and will not, represent a registered security interest in any Properties, and will be subject to the prior charge of the Mortgage Loans.

Mortgage Loans

The General Partner intends to cause the Limited Partnership to finance a part of the purchase price of the Properties by way of Mortgage Loans from third party Lenders. The General Partner will target the overall loan to value ratio of the Mortgage Loans at not more than 75% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the Lenders. However, if deemed appropriate by the General Partner, having regard to all of the circumstances including the potential value of the Properties identified for acquisition by the Limited Partnership, the General Partner may cause the overall loan to value ratio of the Mortgage Loans to exceed this threshold.

Allocations of Income and Cash Distributions

The net operating income from the Properties will be paid on account of interest which has accrued on the Debentures after payment of operating expenses, the provision of reasonable reserves for working capital, renovations and upgrades, and the payment of interest and annual principal payments on the Mortgage Loans. After payment of such amounts, subject to the Limited Partners' right to receive the Limited Partners' Minimum Return and the General Partner's right to receive the Incentive Management Interest, cash distributions and income of the Limited Partnership will be allocated 80% to the Limited Partners and 20% to the General Partner.

Title to the Properties

The Limited Partnership intends to have title to each of the Properties registered in the name of a nominee company, which will own such title as bare trustee for the Limited Partnership.

Management of Properties

The Limited Partnership intends to engage third party property managers for the ongoing day-to-day management of the operation of the Properties. The General Partner intends to structure each third party property management contract with a performance bonus, such that the manager will be rewarded for increases in operating income that the manager achieves from a Property, thereby aligning the interests of the manager with that of the Limited Partnership. The General Partner expects that the fee payable to a Property Manager will be between 3% and 5% of the gross revenue from the managed Property or Properties. All or a portion of this fee may be recovered from the tenants of the Property.

4. DEVELOPMENT OF THE BUSINESSES OF THE ISSUERS

4.1 Description and General Development Since Inception

The Realty Trust was established on August 18, 2006 for the purpose of investing in LP Units. Its principal business will be to issue Trust Units and acquire and hold LP Units. The Realty Trust does not have an operating history.

The Debenture Fund was established on August 18, 2006 for the purpose of investing in Debentures. Its principal business will be to issue Fund Units and acquire and hold Debentures. The Debenture Fund does not have an operating history.

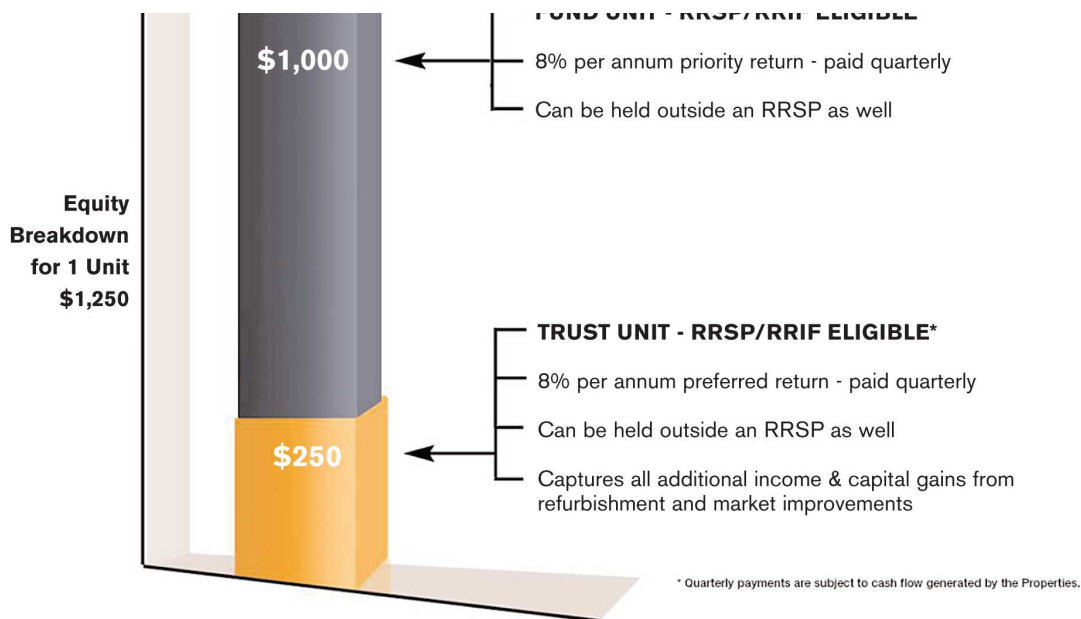
The proceeds from the issuance of the Units will be invested in the Limited Partnership through the Realty Trust's investment in LP Units and the Debenture Fund's investment in Debentures.

The Limited Partnership was established on August 15, 2006 for the purpose of owning and operating interests in a diversified portfolio of high quality income-producing residential and/or commercial real estate Properties in Canada (or proportionate interests in such properties), for limited investment in real estate development opportunities, or the making of loans in respect of such properties. The Limited Partnership does not have an operating history.

To date, the General Partner has not identified any Properties for potential acquisition by the Limited Partnership or any development opportunities for investment by the Limited Partnership. Assuming that the maximum Offering of 36,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply up to \$41,000,000 of the net proceeds received by it from the issuance of LP Units and Debentures to the purchase price of as yet unidentified Properties or the investment in as yet unidentified development opportunities. If only the minimum Offering of 4,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply up to \$4,375,000 of the net proceeds received by it from the issuance of LP Units and Debentures to the purchase price of one or more as yet unidentified Properties.

If the maximum Offering is sold, the general guidelines that the General Partner has established for the Limited Partnership provide that not more than 40% of the net proceeds (gross proceeds less the Agents' commission and the expenses of this Offering) should be applied to the acquisition of any one Property, nor more than 15% of the net proceeds invested in real estate development opportunities. In the event that less than the maximum Offering is sold, it may be necessary for the Limited Partnership to apply more than 40% of the net proceeds to the acquisition of any one Property or more than 15% of the net proceeds to an investment in a real estate development opportunity, including applying up to 100% of the net proceeds to the acquisition of as little as one Property (after the creation of a reasonable reserve for renovation and upgrading of the Property, and the creation of a reasonable working capital reserve for the Property), or more than 15% of the net proceeds to an investment in a development opportunity, if the number of Units sold is at or close to the minimum Offering of 4,000 Units.

The Offering has been structured with the view to facilitating a tax-efficient investment in real estate, as described under the heading "Canadian Federal Income Tax Considerations" on page 62 herein and as illustrated in the diagram below:



Note: Subject to the qualifications and assumptions discussed under heading "Canadian Federal Income Tax Considerations" at page 62.

4.2 Significant Acquisitions

The Limited Partnership has not made any significant property acquisitions or dispositions to date.

4.3 Trends

The General Partner believes that the current economic environment has created attractive investment opportunities in real estate. In particular, the General Partner believes that the continued high level of investment demand for high quality real estate properties will support the current capitalization rates, and will encourage purchase and sale activity in the marketplace. As well, long-term mortgage interest rates are at or near historically low levels, in the range of 5% to 6.5% per annum, and many high quality real estate properties are being sold at prices which provide an initial return, on an unleveraged basis, of 7.5% to 8.5% per annum. The difference between mortgage rates and the potential rates of return on investment will offer Purchasers the potential for immediate positive financial leverage, enhancing the potential return on investment.

Real estate investments are subject to a number of risks, some of which are outlined under the heading "Risk Factors" at page 79 herein. However, while past performance is not necessarily an indicator of future performance, real estate investments have historically provided stable cash flow with consistent moderate returns on capital, and have outperformed investments in many other sectors of the economy.

4.4 Stated Business Objectives

Realty Trust

The business of the Realty Trust is the investment in LP Units. Its short-term objectives are to complete the offering of Trust Units pursuant to this Offering by December 15, 2006 and invest the proceeds thereof in LP Units. The Realty Trust's long-term objective is to earn income by way of distributions from the Limited Partnership to holders of the LP Units, which will originate from a diversified portfolio of high quality income-producing residential and/or commercial real estate Properties in Canada owned by the Limited Partnership.

Debenture Fund

The business of the Debenture Fund is the investment in Debentures. Its short-term objectives are to complete the offering of Fund Units pursuant to this Offering by December 15, 2006 and invest the proceeds thereof in Debentures. The Debenture Fund's long-term objective is to earn interest income from its investment in Debentures, to distribute such interest income to holders of the Fund Units in accordance with the terms of the Debenture Fund Declaration, and to redeem the Fund Units upon the repayment of the Debentures by the Limited Partnership.

Limited Partnership

The Limited Partnership has been established for the purpose of owning and operating a diversified portfolio of high quality income-producing residential and/or real estate properties in Canada (or proportionate interests in such properties) and for limited investment in real estate development opportunities. The Limited Partnership's short-term objectives are:

- (a) to evaluate properties which the General Partner has identified for potential acquisition by the Limited Partnership as Properties; and
- (b) to complete by February 28, 2008 the purchase of sufficient Properties to utilize the full amount made available to the Limited Partnership through the issuance of LP Units to the Realty Trust and Debentures to the Debenture Fund and through the Mortgage Loans.

4.5 Milestones

Realty Trust and Debenture Fund

The Realty Trust and Debenture Fund propose to pursue the business objectives set forth under the heading "Development of the Businesses of the Issuers – Stated Business Objectives" on page 9 in accordance with the following schedule:

| Milestone | Target Date for Completion | Estimated Costs | | |
|--------------------|----------------------------|---|---------------------------|---------------------------|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| Issue 36,000 Units | December 15, 2006 | Agents commissions ⁽¹⁾ | \$400,000 | \$3,600,000 |
| | | Agents' fees and expenses ⁽²⁾ | \$75,000 | \$75,000 |
| | | Expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings) | \$150,000 | \$325,000 |
| | | Subtotal | \$625,000 | \$4,000,000 |

(1) The Issuers will pay to the Agents a commission and fee equal to 8% of the subscription price of Trust Units and the Fund Units. Such amount will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement.

(2) The Issuers have also agreed to bear all of the Agents' expenses (currently estimated to be \$75,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents. Such amounts will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement.

Limited Partnership

Utilization of the full amount made available to the Limited Partnership by way of the issuance of LP Units and Debentures and through the Mortgage Loans will depend in large extent on the purchase prices to be negotiated with the owners of any properties which are judged by the General Partner to be suitable for acquisition by the Limited Partnership.

The General Partner has not identified any properties for potential acquisition by the Limited Partnership, and is intending to apply up to \$41,000,000 to an estimated aggregate purchase price of, as yet unidentified Properties, assuming that the maximum Offering of 36,000 Units is sold. If only the minimum Offering of 4,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply up to \$4,375,000 of the net proceeds to the purchase price of one or more as yet unidentified Properties.

The General Partner proposes to pursue the business objectives set forth under the heading "Development of the Businesses of the Issuers – Stated Business Objectives" on page 10, in accordance with the following schedule:

| Milestone | Target Date for Completion | Estimated Costs | | |
|--|----------------------------------|--|---------------------------|---------------------------|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| Document and Complete Purchase Of Properties | February 28, 2008 ⁽¹⁾ | Purchase Price | \$14,112,902 | \$132,258,063 |
| | | Due diligence and documentation costs ⁽²⁾ | \$282,258 | \$2,645,161 |
| | | Reserve for renovations and upgrades | \$70,565 | \$661,290 |
| | | Working capital reserve | \$70,565 | \$661,290 |
| | | Financing Fee | \$211,693 | \$1,983,872 |
| | | Subtotal | \$14,747,983 | \$138,209,676 |

⁽¹⁾ It is assumed that the minimum Offering or the maximum Offering, as the case may be, has closed prior to such date.

⁽²⁾ Includes estimated closing costs for purchasing the Properties.

5. USE OF PROCEEDS

Realty Trust and Debenture Fund

The Issuers intend to use the gross proceeds of this Offering as follows:

| Sources of Funds | Assuming Minimum Offering ⁽¹⁾ | Assuming Maximum Offering ⁽²⁾ |
|------------------------------------|--|--|
| Subscription price for Trust Units | \$1,000,000 | \$9,000,000 |
| Subscription price for Fund Units | \$4,000,000 | \$36,000,000 |
| Total Subscription Proceeds | \$5,000,000 | \$45,000,000 |

| Uses of Funds | | |
|---|--------------------|---------------------|
| Investment by Realty Trust in LP Units ⁽³⁾ | \$1,000,000 | \$9,000,000 |
| Investment by Debenture Fund in Debentures ⁽⁴⁾ | \$4,000,000 | \$36,000,000 |
| Agents' commissions and Offering Costs ⁽⁵⁾ | \$0 | \$0 |
| Total | \$5,000,000 | \$45,000,000 |

⁽¹⁾ There will be no closing unless a minimum of 4,000 Units are sold not more than 90 days after the date of the Receipt for the Final Prospectus.

⁽²⁾ The maximum Offering is 36,000 Units.

- (3) The gross proceeds raised by the Realty Trust from the issuance of the Trust Units will be invested in an equal number of LP Units.
- (4) The gross proceeds raised by the Debenture Fund from the issuance of Fund Units will be invested in an equal number of Debentures.
- (5) Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear all costs and expenses incurred in respect of the Offering, including the Agents' commissions, fees and expenses and the other expenses of the Offering.

The Issuers intend to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

Limited Partnership

The Limited Partnership intends to use the gross proceeds from the issuance of LP Units and Debentures and from the Mortgage Loans as follows:

| Sources of Funds | | Assuming Minimum Offering⁽¹⁾ | Assuming Maximum Offering⁽¹⁾ |
|-------------------------|--|--|--|
| Proceeds from issuances | | | |
| | Gross proceeds from issuance of LP Units | \$1,000,000 | \$9,000,000 |
| | Gross proceeds from issuance of Debentures | \$4,000,000 | \$36,000,000 |
| A. | Total Proceeds | \$5,000,000 | \$45,000,000 |
| B | Mortgage Loans | 10,372,983 | \$97,209,676 |
| C | Total Sources of Funds: C = A + B | \$15,372,983 | \$142,209,676 |

| Use of Funds | | | |
|--|--|---------------------|----------------------|
| Purchase Price of the Properties ⁽²⁾ | | \$14,112,902 | \$132,258,063 |
| Agents' commissions ⁽³⁾ | | \$400,000 | \$3,600,000 |
| Agents' fees and expenses ⁽⁴⁾ | | \$75,000 | \$75,000 |
| Expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings) ⁽⁵⁾ | | \$150,000 | \$325,000 |
| Estimated closing costs for purchase of Properties (including transfer fees, legal and due diligence costs) ⁽⁶⁾ | | \$282,258 | \$2,645,161 |
| Creation of reserve for renovation and upgrading of Properties ⁽⁷⁾ | | \$70,565 | \$661,290 |
| Creation of reasonable working capital reserves for the Properties ⁽⁸⁾ | | \$70,565 | \$661,290 |
| Financing Fee ⁽⁹⁾ | | \$211,693 | \$1,983,872 |
| Total | | \$15,372,983 | \$142,209,676 |

(1) The minimum Offering is 4,000 Units and the maximum Offering is 36,000 Units.

- (2) The purchase price of Properties shown is an estimate only, and may not be the actual aggregate price payable pursuant to the agreements of purchase and sale to be made between the Limited Partnership and arm's-length third party vendors, or to be made between SRAI and arm's-length third party vendors and assigned to the Limited Partnership by SRAI. The purchase price may also include the development costs of one or more Properties.
- (3) The Issuers will pay to the Agents a commission and fee equal to 8% of the subscription price of LP Units and the Debentures. Such amount will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement
- (4) The Issuers have also agreed to bear all of the Agents' expenses (currently estimated to be \$75,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents. Such amounts will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement.
- (5) Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear all costs and expenses incurred in respect of the Offering, including the Agents' commissions, fees and expenses and the other expenses of the Offering.
- (6) The amount incurred in respect of the purchase of Properties by the Limited Partnership will include, without limitation, all due diligence inspections and reviews of the Properties, third party consultant's fees, closing adjustments, legal and accounting fees, financing fees paid to third party mortgage Lenders, insurers and brokers, other closing costs and transfer fees and taxes.
- (7) The General Partner may undertake a refurbishment program in respect of one or more of the Properties. The amount shown is an estimate of the amount which may be required to establish a reserve for the payment of the anticipated and unanticipated costs of such programs for all of the Properties.
- (8) The General Partner will establish working capital reserves for the Limited Partnership, to help ensure sufficient funds are on hand from time to time to pay anticipated and unanticipated operating and capital expenses of the Properties.
- (9) The General Partner will be paid a Financing Fee equal to 1.5% of the gross purchase price of each Property, plus GST if applicable, for the provision of certain financial services to the Limited Partnership.

The proceeds will also be used from time to time by the Limited Partnership to make refundable and non-refundable deposits on account of the purchase price of Properties, to pay mortgage application fees and to pay property due diligence and inspection costs. These payments and costs will include amounts paid to arm's-length third parties and all out-of-pocket costs incurred by the General Partner in the conduct of property inspection and due diligence. Some Properties in respect of which non-refundable deposits, mortgage application fees and property due diligence and inspection costs are paid may not be acquired by the Limited Partnership, resulting in a possible loss of such deposits, fees and/or costs.

The General Partner has agreed to provide certain services to the Limited Partnership pursuant to the General Partner Services Agreement, as described in more detail under the heading "Executive Compensation – Management Agreements" on page 58.

The General Partner has agreed under the General Partner Services Agreement that if by February 28, 2008, the Limited Partnership has not invested at least 95% of the Net LP Subscription Proceeds in the purchase of Properties (or interests in Properties), and the creation of reasonable reserves for renovation and upgrading and working capital reserves for such Properties, or in the development of a Property, the General Partner will cause the Limited Partnership to: (a) repay to the holders of LP Units as a return of Limited Partnership capital on or before March 1, 2008, 20% of that portion of the Net LP Subscription

Proceeds not so invested; and (b) to repay to the holders of Debentures on or before March 1, 2008, on account of the principal amount of the Debentures, 80% of that portion of the Net LP Subscription Proceeds not so invested, together with interest thereon at the rate payable on the Debentures. In addition, the General Partner will repay to the Limited Partnership an amount equal to all commissions borne by the Limited Partnership (pursuant to the Cost Sharing and Recovery Agreement) on the amount of the Net LP Subscription Proceeds which are repaid, which amount will be deducted from the Incentive Management Interest otherwise payable to the General Partner. The Realty Trust and Debenture Fund are each obligated under the Realty Trust Declaration and the Debenture Fund Declaration to apply any amount that it so receives to the redemption of Trust Units and Fund Units, respectively, on a pro rata basis.

The General Partner's obligation to cause the Limited Partnership to return capital and repay a portion of the principal under the Debentures in the event that the Limited Partnership has not invested at least 95% of the aggregate Net LP Subscription Proceeds in the manner described above by February 28, 2008, will not be secured in any way, and the Issuers do not intend to make any of the proceeds of this Offering subject to escrow. Any Net LP Subscription Proceeds which are not invested in Properties or applied to the Limited Partnership's working capital needs, will be retained by the General Partner for the Limited Partnership in money market investments, and will therefore be available for repayment to subscribers should the 95% threshold referred to above not be achieved.

In acquiring Properties, the General Partner intends to cause the Limited Partnership to comply with:

- (a) the Limited Partnership's business strategy outlined under the heading "Business of the Limited Partnership" (see page 4 herein); and
- (b) the guidelines discussed under the heading "Business of the Limited Partnership – Guidelines for Property Acquisitions" (see page 6 herein).

In determining what would constitute "reasonable reserves" for renovation and upgrading and working capital reserves for such Properties, the General Partner will review a comprehensive third party due diligence report that will be produced for each Property. The amount of a renovation and upgrading reserve for a given Property will be assessed by the General Partner having regard to, among other things, the Property's age, general state of repair, and an assessment of whether anticipated revenues would be sufficient to cover all or a portion of the repairs or upgrades identified as reasonably necessary through the due diligence process.

In determining how much of a working capital reserve would be reasonable for a given Property, the General Partner will generally target a working capital reserve of $\frac{1}{2}\%$ of the purchase price of the Property. In the event that the maximum Offering of 36,000 Units is sold, the estimated aggregate purchase price of, as yet unidentified Properties is \$132,258,063; if the minimum Offering of 4,000 Units is sold, the estimated aggregate purchase price of, as yet unidentified, Properties is \$14,112,902. Accordingly, the targeted working capital reserves in the event of a maximum Offering is \$661,290, and the targeted working capital reserves in the event of a minimum Offering is \$70,565. However, for any given Property, the General Partner could allocate a larger or smaller amount to working capital reserves than the targeted amount of $\frac{1}{2}\%$ of the purchase price of the Property, based on Property-specific considerations such as the anticipated revenues from the Property.

6. SELECTED FINANCIAL INFORMATION

6.1 Financial Information

Realty Trust

The audited financial statements of the Realty Trust for the period from the date of its formation to August 21, 2006 are included in this Prospectus. The Realty Trust was only recently formed and capitalized with nominal capital. As the Realty Trust has not carried on any business to date, it has no material assets, or cash flow from financing or from operations.

Debenture Fund

The audited financial statements of the Debenture Fund for the period from the date of its formation to August 21, 2006 are included in this Prospectus. The Debenture Fund was only recently formed and capitalized with nominal capital. As the Debenture Fund has not carried on any business to date, it has no material assets, or cash flow from financing or from operations.

Limited Partnership

The audited financial statements of the Limited Partnership for the period from the date of its formation to August 21, 2006 are included in this Prospectus. The Limited Partnership was only recently formed and capitalized with nominal capital. As the Limited Partnership has not carried on any business to date, it has no material assets, or cash flow from financing or from operations.

General Partner

The audited financial statements of the General Partner for the period from the date of its formation to August 21, 2006 are included in this Prospectus. The General Partner was only recently formed and capitalized with nominal capital. As the General Partner has not carried on any business to date, it has no material assets, or cash flow from financing or from operations.

7. EARNINGS COVERAGE RATIOS

7.1 Realty Trust

The Realty Trust has not had any earnings to date, and currently has no outstanding long-term debt. It is not anticipated that the Realty Trust will incur any long-term debt.

7.2 Debenture Fund

The Debenture Fund has not had any earnings to date, and currently has no outstanding long-term debt. It is not anticipated that the Debenture Fund will incur any long-term debt.

7.3 Limited Partnership

The Limited Partnership has not had any earnings to date, and currently has no outstanding long-term debt. However, it is anticipated that the Limited Partnership will incur Mortgage Loans in the aggregate principal amount of up to \$97,209,676 and issue Debentures in the aggregate amount of up to \$36,000,000.

In acquiring Properties, the General Partner intends to cause the Limited Partnership to comply with the guidelines discussed under the heading "Description of the Business of the Limited Partnership – Guidelines for Property Acquisitions" (see page 6 herein), including the expectation that each Property (other than a development property) generate a positive cash return, exclusive of the payment of principal on the Mortgage Loans for such Property, on the Limited Partnership's invested capital in the Property of not less than 6% per annum, with a target range of 8% per annum. The General Partner will be able to waive this minimum requirement for Properties which the General Partner believes provide unique value added opportunities through capital improvement programs, replacement of management, re-leasing or similar initiatives.

Given the uncertainties involved in connection with predicting the Limited Partnership's annual earnings and debt servicing requirements, it is impossible to determine the amount of earnings that the Limited Partnership will require to attain an earnings coverage ratio of one-to-one.

8. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Trusts are offering a minimum of 4,000 Units and a maximum of 36,000 Units, at a purchase price of \$1,250 per Unit. Each Unit is comprised of one Trust Unit and one Fund Unit. Units may only be acquired in blocks of ten Units.

8.1 Trust Units

The rights and obligations of the Trust Unitholders are governed by the Declaration of Trust for the Realty Trust made August 18, 2006 among the Realty Trustee, SRAI as settlor, and all persons who become holders of Trust Units as provided therein. The following is a summary of certain material provisions of the Realty Trust Declaration. **This summary does not purport to be complete and reference should be to the Realty Trust Declaration itself, a copy of which is available from the Realty Trustee.**

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

Trust Units

The Realty Trust is authorized to issue an unlimited number of redeemable units of beneficial interest. Each Trust Unit entitles the Trust Unitholder to the same rights and obligations as any other Trust Unitholder and no Trust Unitholder is entitled to any privilege, priority or preference in relation to any other Trust Unitholders.

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

Distributions

The Realty Trust will distribute to each Trust Unitholder amounts which are received from the Limited Partnership in respect of the LP Units acquired by the Realty Trust with the proceeds from the issuance of Trust Units as and when such amounts are received. Each distribution declared pursuant to the Realty Trust

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

In the event that a Trust Unitholder has held his Trust Unit for less than the entire period for which a distribution is payable, the Trust Unitholder shall only be entitled to a proportionate share of the distributions based on the proportion that the number of days between the date of first issue of his Trust Units and the last day of the calculation period bears to the aggregate total number of days in such calculation period. By allocating distributions made by the Realty Trust in the aforementioned manner, early subscribers of Trust Units are compensated for the fact that they contributed to the Realty Trust at an earlier date.

The Realty Trust intends to distribute all of its net income and net realized capital gains, if any, to Trust Unitholders, so that the Realty Trust will not be liable to pay income tax pursuant to the Tax Act during any year. If distributions to Trust Unitholders are in excess of the net income and net realized capital gains, if any, of the Realty Trust, it will generally result in a reduction in the adjusted cost base of the Trust Units to the Trust Unitholder.

If, on a Distribution Payment Date, the Realty Trust does not have cash in an amount sufficient to pay the cash distribution to be made on such Distribution Payment Date, the Realty Trustee may, in its discretion, borrow sufficient funds on such terms as it deems appropriate to make such cash distributions. In the event that the Realty Trustee is unable to, or determines that it is not in the best interests of, the Realty Trust and the Trust Unitholders to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Trust Unitholders on such Distribution Payment Date may, at the option of the Realty Trustee, include a distribution of additional Trust Units (at \$250 per Trust Unit) having a value equal to the cash shortfall. If the Realty Trustee determines that the value of a Trust Unit is materially different than \$250, each additional Trust Unit will be issued at such different value. The distribution of Trust Units will be subject to the requirements of the applicable securities authority and if not permitted, distributions will be made in cash. The Realty Trustee may, in exceptional circumstances, consolidate the number of outstanding Trust Units after a distribution of additional Trust Units, so that each Trust Unitholder holds the same number of Trust Units held before the distribution of additional Trust Units.

Distribution on Termination of the Realty Trust

On the termination of the Realty Trust, the assets of the Realty Trust shall be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the Realty Trust and to establish reserves for the contingent liabilities of the Realty Trust;
- (b) to pay unpaid fees and expenses of the Realty Trustee; and
- (c) to redeem from the Realty Trust Property the Trust Units, on a pro rata basis from the Trust Unitholders.

Meetings of Unitholders and Resolutions

The Realty Trustee may, at any time, convene a meeting of the Trust Unitholders and will be required to convene a meeting on receipt of a request in writing of Trust Unitholders holding, in aggregate, 15% or more of the Trust Units outstanding. Any matter to be considered at a meeting of Trust Unitholders, other than certain matters requiring the approval of Trust Unitholders by Special Resolution, will require the approval of Trust Unitholders by an Ordinary Resolution. A quorum for any meeting convened to consider such matter will consist of two or more Trust Unitholders present in person or by proxy and representing not less than 10% of the Trust Units outstanding on the record date. 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 Trust Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days later, selected by the Realty Trustee and notice will be given to the Trust Unitholders of such adjourned meeting. The Trust Unitholders present at any adjourned meeting will constitute a quorum.

Each Trust Unitholder is entitled to one vote per Trust 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 Realty Trust for which the approval of the Trust 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 herein to be required to be consented to or approved by the Trust Unitholders; and
- (c) any matter which the Realty Trustee considers appropriate to present to the Trust Unitholders for their confirmation or 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:

- (d) the amendment of the Realty Trust Declaration (except as provided under "Amendments to the Realty Trust Declaration" below) or changes to the Realty Trust, including changes to the investment objectives of the Realty Trust;
- (e) the removal of the Realty Trustee;
- (f) the appointment of a new trustee;
- (g) the termination of the Realty Trust;
- (h) a reduction in the amount payable on any outstanding Trust Units upon liquidation of the Realty Trust;
- (i) an increase in the liability of any Trust Unitholders; or
- (j) the alteration or elimination of any voting rights pertaining to any outstanding Trust Units

Notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Trust 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 Realty Trustee, except with the prior written consent of the Realty Trustee.

Termination of the Realty Trust

The Realty Trustee may at any time terminate and dissolve the Realty Trust by giving to each then Trust Unitholders written notice of its intention to terminate the Realty Trust at least ninety (90) days before the date on which the Realty Trust is to be terminated. Upon termination, the net assets of the Realty Trust will be distributed to the Trust Unitholders. Prior to the termination date, the Realty Trustee will convert the assets of the Realty Trust to cash. After payment of the liabilities of the Realty Trust, each Trust Unitholder registered as such at the close of business on the date fixed as the termination date will be entitled to receive from the Realty Trustee his proportionate share of the value of the Realty Trust in accordance with the number of Trust Units which he then holds.

Amendments to the Realty Trust Declaration

Subject to the restrictions described in "Meetings of Unitholders and Resolutions", any provision of the Realty Trust Declaration may be amended, deleted, expanded or varied by the Realty Trustee, if the amendment is, in the opinion of counsel, not a material change which adversely affects the pecuniary value of the interest of any Trust Unitholders and does not relate to:

- (a) any material change in the position, authority or responsibility of the Realty Trustee;
- (b) any change in the investment policy of the Realty Trust or to the Realty Trust Declaration, if such change is material or is otherwise required by the Realty Trust Declaration.

Information and Reports

After the end of each calendar quarter, the Realty Trust's accountant prepared and reviewed financial statements will be distributed in accordance with applicable securities legislation. After the close of each calendar year, the Realty Trust's audited financial statements and report will be forwarded to each Trust Unitholder on or before the following March 31st. In addition, on or before March 31 in each calendar year, the Realty Trust will forward to each person who received a distribution at any time during the previous calendar year, tax reporting information in such a manner as will enable such person to report the income tax consequences of investment in Trust Units in the Trust Unitholder's annual Canadian income tax return.

Liability of Unitholders

In circumstances where a material obligation of the Realty Trust is created, it is provided in the Realty Trust Declaration that the Realty Trustee shall use its best efforts to have any such obligations modified so that there is no personal liability of Trust Unitholders. Further, the Realty Trustee will cause the operations of the Realty Trust to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability on the Trust Unitholders for claims against the Realty Trust.

As a general rule, the Realty Trustee making investments for the Realty Trust contracts as principal and therefore, subject to contract, the Realty Trustee is liable for all obligations incurred in carrying out such

investments for the Realty Trust. However, in cases where the Realty Trustee is unable to obtain written agreement that a material obligation assumed by the Realty Trust is not binding upon the Trust Unitholders personally there is a risk that if the claims made in respect thereof are to be satisfied by the Realty Trust, a Trust Unitholder will be held personally liable for the obligations of the Realty Trust. In case of claims made against the Realty Trust which do not arise out of contracts, for example, claims for taxes or claims in tort, personal liability may also arise against Trust Unitholders. Such risks are limited since, as indicated above, the Realty Trust intends to limit its investments to LP Units.

Redemption

A Trust Unitholder holding Trust Units wishing to redeem the whole or any part of his or her Trust Units (a "Redemption") may deliver a notice of such desire (the "Redemption Notice") to the Realty Trustee at any time. Upon receipt by the Trust of the notice to redeem Trust Units, the Trust Unitholder shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon that are declared payable to the Trust Unitholders of record on a date that is subsequent to the day of receipt by the Trust of such notice. Trust Units shall be considered to be tendered for redemption on the date that the Trust has, to the satisfaction of the Realty Trustee, received the notice and further documents or evidence the Realty Trustee may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Subject to applicable laws and the conditions listed below, the Realty Trust will redeem the Realty Trust Units specified in such Redemption Notice. The price per Trust Unit payable upon redemption will be equal to either:

- (a) where the Trust Units are listed on a stock exchange or similar market, an amount equal to the lesser of (i) 95% of the market price of the Trust Units during the 10 trading day period after the redemption date; and (ii) 100% of the closing market price of the Trust Units on the redemption date; or
- (b) where the Trust Units are not listed on a stock exchange or similar market, 95% of (i) the aggregate value of the real estate assets of the Limited Partnership on the last day of the most recent calendar quarter that ends prior to the redemption date, or, where the amount would be a lesser amount, on the redemption date itself; plus (ii) the aggregate value of the cash and other working capital assets of the Limited Partnership and of the Realty Trust on the redemption date; less (iii) the aggregate value of the Limited Partnership's liabilities on the redemption date (including the aggregate amount of the Debentures outstanding on the redemption date); the amount which would be payable to the General Partner or the Debenture Fund if the Limited Partnership was terminated and then liquidated on the redemption date; and the aggregate value of the Realty Trust's liabilities on the redemption date, divided by the number of outstanding Trust Units on the redemption date.

The redemption price per Trust Unit multiplied by the number of Trust Units tendered for Redemption will be paid to a Trust Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Trust Units were tendered for redemption, provided that:

- (a) the total amount payable by the Realty Trust by cash payment in respect of the redemption of Trust Units for that calendar quarter will not exceed \$50,000;

- (b) the total amount payable by the Realty Trust by cash payment in respect of the redemption of Trust Units in any twelve month period ending at the end of that calendar quarter will not exceed 3/4 of 1% of the aggregate subscription price of all Trust Units that were issued and outstanding at the start of such twelve month period;
- (c) after such payment the ratio of the aggregate principal amount outstanding in respect of the Debentures relative to the aggregate capital accounts in respect of outstanding LP Units would not exceed 4:1; and
- (d) the normal trading of the Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed for trading on the redemption date or for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

If any of the conditions in paragraphs (a) to (d) above preclude the payment of the redemption price in cash, the redemption price shall be paid and satisfied by way of a distribution *in specie* to the Trust Unitholder of a number of LP Units having an aggregate value, determined on the redemption date based on the redemption price of the LP Units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption price per Trust Unit multiplied by the number of Trust Units tendered for redemption.

Trust Units will be redeemed according to the order in which Redemption Notices are received.

LP Units received as a result of redemptions of Trust Units may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan, including the redeeming Unitholder becoming subject to a penalty tax or having its tax exempt status revoked depending on the circumstances. Accordingly, investors which are Plans should consult their own tax advisors before deciding to exercise the redemption rights attached to the Trust Units.

Forced Redemption Upon Non-Residency

At no time may non-residents of Canada be the beneficial owners of Trust Units. If a Trust Unitholder becomes a non-resident of Canada or otherwise becomes a "designated beneficiary" as defined in section 210 of the Tax Act (and as defined in proposed subsection 210(1) of the Tax Act), the Realty Trustee may in its discretion, either forthwith redeem all or a part of the Trust Units held by such Trust Unitholder, or by written notice require the Trust Unitholder to, within thirty (30) days, transfer the Trust Units to a transferee who is not a "designated beneficiary" as defined in section 210 of the Tax Act. The redemption proceeds payable for each Trust Unit to be redeemed will be equal to 85% of the lesser of the Subscription Price and the Net Asset Value per Trust Unit determined on the day on which the Realty Trustee issues the redemption notice.

Powers and Responsibilities of the Realty Trustee

The Realty Trustee has exclusive authority to manage the operations and affairs of the Realty Trust and to make all decisions regarding the business of the Realty Trust, and has authority to bind the Realty Trust. The powers, authorities and responsibilities of the Realty Trustee are limited to those expressly set forth in the Realty Trust Declaration. The Realty Trustee is responsible for managing the business and administration of the Realty Trust and the conduct of the affairs of the Realty Trust, including without limitation:

- (a) holding Realty Trust Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of the Realty Trust Property (as such term is defined in the Realty Trust Declaration);
- (b) ensuring that the Net Subscription Proceeds are invested in LP Units as described in Item 3.1;
- (c) borrowing money as necessary to pay distributions to Trust Unitholders, and encumbering Realty Trust Property in respect thereof;
- (d) paying properly incurred expenses out of Realty Trust Property;
- (e) depositing monies from time to time forming part of the Realty Trust Property in accounts;
- (f) possessing and exercising rights, powers and privileges appertaining to ownership of or interest in Realty Trust Property;
- (g) holding legal title to Realty Trust Property;
- (h) appointing the accountants of and registrar and transfer agent for the Realty Trust;
- (i) appointing the bankers of the Realty Trust;
- (j) ensuring compliance with applicable securities legislation;
- (k) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;
- (l) providing all requisite office accommodation and associated facilities;
- (m) providing or causing to be provided to the Realty Trust all other administrative and other services and facilities required by the Realty Trust; and maintaining or causing to be maintained complete records of all transactions in respect of the investment portfolio of the Realty Trust;
- (n) prescribing any instrument provided for or contemplated by the Realty Trust Declaration; and
- (o) remitting distributions,

all subject to the terms and conditions set out in the Realty Trust Declaration. The Realty Trust Declaration provides that the Realty Trustee may engage or employ persons in connection with the Realty Trust and pay to them compensation out of Realty Trust Property and may delegate its powers, authorities and duties.

The Realty Trustee or any successor trustee may resign upon 60 days' notice to Trust Unitholders, or may be removed by a Special Resolution of the Trust Unitholders by notice to the Realty Trustee not less than sixty (60) days prior to the date that such removal is to take effect, provided a successor trustee is appointed or the Realty Trust is terminated. In the event that the Realty Trustee resigns or is removed or becomes incapable of acting or if for any cause a vacancy shall occur in the office of the Realty Trustee, a successor trustee shall forthwith be appointed by the Trust Unitholders by Special Resolution to fill such vacancy. Forthwith following such appointment of a successor trustee, the Realty Trustee shall execute and deliver such

documents as such successor trustee may require for the conveyance of any property of the Realty Trust held in the Realty Trustee's name, shall account to the successor trustee for all property of the Realty Trust which the Realty Trustee holds as trustee and shall thereupon be discharged as trustee.

The Realty Trust Declaration provides that the Realty Trustee will be indemnified out of the Realty Trust 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 Realty Trustee or officer or director of the Realty 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 Realty Trust Declaration. 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 Realty Trust, 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.

In addition, the Realty Trust Declaration contains other customary provisions limiting the liability of the Realty Trustee and indemnifying the Realty Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Realty Trustee will not receive fees from the Realty Trust for acting as trustee of the Realty Trust, and will be reimbursed by the Realty Trust for all expenses and liabilities which are properly incurred by the Realty Trustee in connection with the activities of the Realty Trust. The Realty Trustee may dispose of any Realty Trust Property on such terms as the Realty Trustee may in its sole discretion determine for the purpose of paying any obligations imposed on the Realty Trust or for repaying any loan hereby authorized.

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

Rights of Unitholders

A Trust Unitholder has substantially all of the same protections, rights and remedies as a shareholder would have under the CBCA, except as described herein. Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust for the Realty Trust. For example, Trust Unitholders are entitled to exercise voting rights in respect of their Trust Units in a manner comparable to shareholders of a CBCA corporation, and provisions relating to the calling and holding of meetings of Trust Unitholders included in the Declaration of Trust are comparable to those of the CBCA. Unlike shareholders of a CBCA corporation, Trust Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Realty Trust. The matters in respect of which Trust Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation. The appointment of auditors is reserved to the Realty Trustee rather than the Unitholders. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially or of its property, or a going private transaction). As an alternative, Trust Unitholders seeking to terminate their investment in the Realty Trust are entitled to receive, subject to certain conditions and limitations, their pro rata share of the Realty Trust's net assets through the exercise of the redemption rights described above under "Redemption". Trust Unitholders similarly do not have recourse to the statutory

oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties.

Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances, whereas Trust Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding up of the Realty Trust with the approval of a Special Resolution of the Trust Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

Administration of the Realty Trust

The General Partner will act as the administrator of the Realty Trust pursuant to the terms of the Administration Agreement.

The foregoing is a summary only of certain of the material provisions of the Realty Trust Declaration. For a complete understanding of all of the provisions of the Realty Trust Declaration Agreement, reference should be made to the Realty Trust Declaration itself, a copy of which is available from the Realty Trustee.

8.2 Fund Units

The rights and obligations of the Fund Unitholders are governed by the Declaration of Trust for the Debenture Fund made August 18, 2006 among the Debenture Fund Trustee, SRAI as settlor, and all persons who become holders of Fund Units as provided therein. The following is a summary of certain material provisions of the Debenture Fund Declaration. **This summary does not purport to be complete and reference should be to the Debenture Fund Declaration itself, a copy of which is available from the Debenture Fund Trustee.**

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Debenture Fund Declaration.

Fund Units

The Debenture Fund is authorized to issue an unlimited number of redeemable units of beneficial interest. Each Fund Unit entitles the Fund Unitholder to the same rights and obligations as any other Fund Unitholder and no Fund Unitholder is entitled to any privilege, priority or preference in relation to any other Fund Unitholders.

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

Distributions

The Debenture Fund will distribute to each Fund Unitholder payments of interest and principal on the Debentures acquired by the Debenture Fund with the proceeds from the issuance of Fund Units as and when such amounts are received from the Limited Partnership. Each distribution declared pursuant to the Debenture Fund Declaration constitutes a binding obligation of the Debenture Fund on the date so declared. Consequently, a Fund Unitholder holding Fund Units can demand a payment of a declared distribution on the Declaration Date and upon receipt of such demand the Debenture Fund must pay that amount to the Fund 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 Debenture 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.

In the event that a Fund Unitholder has held his Fund Unit for less than the entire period for which a distribution is payable, the Fund Unitholder shall only be entitled to a proportionate share of the distributions based on the proportion that the number of days between the date of first issue of his Fund Units and the last day of the calculation period bears to the aggregate total number of days in such calculation period. By allocating distributions made by the Debenture Fund in the aforementioned manner, early subscribers of Fund Units are compensated for the fact that they contributed to the Debenture Fund at an earlier date.

The Debenture Fund intends to distribute all of its net income and net realized capital gains, if any, to Fund Unitholders, so that the Debenture Fund will not be liable to pay income tax pursuant to the Tax Act during any year. If distributions to Fund Unitholders are in excess of the net income and net realized capital gains, if any, of the Debenture Fund, it will generally result in a reduction in the adjusted cost base of the Fund Units to the Fund Unitholder.

If, on a Distribution Payment Date, the Debenture Fund does not have cash in an amount sufficient to pay the cash distribution to be made on such Distribution Payment Date, the Debenture Fund Trustee may, in its discretion, borrow sufficient funds on such terms as it deems appropriate to make such cash distributions. In the event that the Debenture Fund Trustee is unable to, or determines that it is not in the best interests of, the Debenture Fund and the Fund Unitholders to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Fund Unitholders on such Distribution Payment Date may, at the option of the Debenture Fund Trustee, include a distribution of additional Fund Units (at \$1,000 per Fund Unit) having a value equal to the cash shortfall. If the Debenture Fund Trustee determines that the value of a Fund Unit is materially different than \$1,000, each additional Fund Unit will be issued at such different value. The distribution of Fund Units will be subject to the requirements of the applicable securities authority and if not permitted, distributions will be made in cash. The Debenture Fund Trustee may, in exceptional circumstances, consolidate the number of outstanding Fund Units after a distribution of additional Fund Units, so that each Fund Unitholder holds the same number of Fund Units held before the distribution of additional Fund Units.

Distribution on Termination of the Debenture Fund

On the termination of the Debenture Fund, the assets of the Debenture Fund shall be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the Debenture Fund and to establish reserves for the contingent liabilities of the Debenture Fund;

- (b) to pay unpaid fees and expenses of the Debenture Fund Trustee; and
- (c) to redeem from the Debenture Fund Property the Fund Units, on a pro rata basis from the Fund Unitholders.

Meetings of Unitholders and Resolutions

The Debenture Fund Trustee may, at any time, convene a meeting of the Fund Unitholders and will be required to convene a meeting on receipt of a request in writing of Fund Unitholders holding, in aggregate, 15% or more of the Fund Units outstanding. Any matter to be considered at a meeting of Fund Unitholders, other than certain matters requiring the approval of Fund Unitholders by Special Resolution, will require the approval of Fund Unitholders by an Ordinary Resolution. A quorum for any meeting convened to consider such matter will consist of two or more Fund Unitholders present in person or by proxy and representing not less than 10% of the Fund Units outstanding on the record date. 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 Fund Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days later, selected by the Debenture Fund Trustee and notice will be given to the Fund Unitholders of such adjourned meeting. The Fund Unitholders present at any adjourned meeting will constitute a quorum.

Each Fund Unitholder is entitled to one vote per Fund 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 Debenture Fund for which the approval of the Fund Unitholders is required by policies of the securities regulatory authorities in effect from time to time;
- (b) subject to the requirements for a Special Resolution, any matter or thing stated herein to be required to be consented to or approved by the Fund Unitholders; and
- (c) any matter which the Debenture Fund Trustee considers appropriate to present to the Fund Unitholders for their confirmation or 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 Debenture Fund Declaration (except as provided under "Amendments to the Debenture Fund Declaration" below) or changes to the Debenture Fund, including changes to the investment objectives of the Debenture Fund;
- (b) the removal of the Debenture Fund Trustee;
- (c) the appointment of a new trustee;
- (d) the termination of the Debenture Fund;
- (e) a reduction in the amount payable on any outstanding Fund Units upon liquidation of the Debenture Fund;
- (f) an increase in the liability of any Fund Unitholders; or

- (g) the alteration or elimination of any voting rights pertaining to any outstanding Fund Units

Notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Fund 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 Debenture Fund Trustee, except with the prior written consent of the Debenture Fund Trustee.

Termination of the Debenture Fund

The Debenture Fund Trustee may at any time terminate and dissolve the Debenture Fund by giving to each then Fund Unitholders written notice of its intention to terminate the Debenture Fund at least ninety (90) days before the date on which the Debenture Fund is to be terminated. Upon termination, the net assets of the Debenture Fund will be distributed to the Fund Unitholders. Prior to the termination date, the Debenture Fund Trustee will convert the assets of the Debenture Fund to cash. After payment of the liabilities of the Debenture Fund, each Fund Unitholder registered as such at the close of business on the date fixed as the termination date will be entitled to receive from the Debenture Fund Trustee his proportionate share of the value of the Debenture Fund in accordance with the number of Fund Units which he then holds.

Amendments to the Debenture Fund Declaration

Subject to the restrictions described in "Meetings of Unitholders and Resolutions", any provision of the Debenture Fund Declaration may be amended, deleted, expanded or varied by the Debenture Fund Trustee, if the amendment is, in the opinion of counsel, not a material change which adversely affects the pecuniary value of the interest of any Fund Unitholders and does not relate to:

- (a) any material change in the position, authority or responsibility of the Debenture Fund Trustee;
- (b) any change in the investment policy of the Debenture Fund or to the Debenture Fund Declaration, if such change is material or is otherwise required by the Debenture Fund Declaration.

Information and Reports

After the end of each calendar quarter, the Debenture Fund' accountant prepared and reviewed financial statements will be distributed in accordance with applicable securities legislation. After the close of each calendar year, the Debenture Fund's audited financial statements and report will be forwarded to each Fund Unitholder on or before the following March 31st. In addition, on or before March 31 in each calendar year, the Debenture Fund will forward to each person who received a distribution at any time during the previous calendar year, tax reporting information in such a manner as will enable such person to report the income tax consequences of investment in Fund Units in the Fund Unitholder's annual Canadian income tax return.

Liability of Unitholders

In circumstances where a material obligation of the Debenture Fund is created, it is provided in the Debenture Fund Declaration that the Debenture Fund Trustee shall use its best efforts to have any such obligations modified so that there is no personal liability of Fund Unitholders. Further, the Debenture Fund Trustee will cause the operations of the Debenture Fund to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability on the Fund Unitholders for claims against the Debenture Fund.

As a general rule, the Debenture Fund Trustee making investments for the Debenture Fund contracts as principal and therefore, subject to contract, the Debenture Fund Trustee is liable for all obligations incurred in carrying out such investments for the Debenture Fund. However, in cases where the Debenture Fund Trustee is unable to obtain written agreement that a material obligation assumed by the Debenture Fund is not binding upon the Fund Unitholders personally there is a risk that if the claims made in respect thereof are to be satisfied by the Debenture Fund, a Fund Unitholder will be held personally liable for the obligations of the Debenture Fund. In case of claims made against the Debenture Fund which do not arise out of contracts, for example, claims for taxes or claims in tort, personal liability may also arise against Fund Unitholders. Such risks are limited since, as indicated above, the Debenture Fund intends to limit its investments to Debentures.

Redemption

A Fund Unitholder holding Fund Units wishing to redeem the whole or any part of his or her Fund Units (a "Redemption") may deliver a notice of such desire (the "Redemption Notice") to the Debenture Fund Trustee at any time. Upon receipt by the Debenture Fund of the notice to redeem Fund Units, the Fund Unitholder shall thereafter cease to have any rights with respect to the Fund Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon that are declared payable to the Fund Unitholders of record on a date that is subsequent to the day of receipt by the Debenture Fund of such notice. Trust Units shall be considered to be tendered for redemption on the date that the Debenture Fund has, to the satisfaction of the Debenture Fund Trustee, received the notice and further documents or evidence the Debenture Fund Trustee may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Subject to applicable laws and the conditions listed below, the Debenture Fund will redeem the Debenture Fund Units specified in such Redemption Notice. The price per Fund Unit payable upon redemption will be equal to either:

- (a) where the Fund Units are listed on a stock exchange or similar market, an amount equal to the lesser of (i) 95% of the market price of the Fund Units during the 10 trading day period after the redemption date; and (ii) 100% of the closing market price of the Fund Units on the redemption date; or
- (b) where the Fund Units are not listed on a stock exchange or similar market, (i) 95% of the aggregate amount of the Debentures on the redemption date; plus (ii) the aggregate value of the cash and other working capital assets of the Debenture Fund; less (iii) the aggregate value of the Debenture Fund's liabilities on the redemption date, divided by the number of outstanding Fund Units on the redemption date.

The redemption price per Fund Unit multiplied by the number of Fund Units tendered for redemption will be paid to a Fund Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Fund Units were tendered for redemption, provided that:

- (a) the total amount payable by the Debenture Fund by cash payment in respect of the redemption of Fund Units for that calendar quarter will not exceed \$50,000;
- (b) the total amount payable by the Debenture Fund by cash payment in respect of the redemption of Fund Units in any twelve month period ending at the end of that calendar quarter will not exceed 3/4 of 1% of the aggregate subscription price of all Fund Units that were issued and outstanding at the start of such twelve month period;

- (c) after such payment the ratio of the aggregate principal amount outstanding in respect of the Debentures relative to the aggregate capital accounts in respect of outstanding LP Units would not be less than 4:1;
- (d) the normal trading of the Fund Units is not suspended or halted on any stock exchange on which the Fund Units are listed for trading on the redemption date or for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

If any of the conditions in paragraphs (a) to (d) above preclude the payment of the redemption price in cash, the redemption price shall be paid and satisfied by way of a distribution to the Fund Unitholder of a number of Debentures having an aggregate principal amount, determined on the redemption date, equal to the redemption price per Fund Unit multiplied by the number of Fund Units tendered for redemption.

Fund Units will be redeemed according to the order in which Redemption Notices are received.

Debentures received as a result of redemptions of Fund Units may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan, including the redeeming Unitholder becoming subject to a penalty tax or having its tax exempt status revoked depending on the circumstances. Accordingly, investors which are Plans should consult their own tax advisors before deciding to exercise the redemption rights attached to the Fund Units.

Forced Redemption Upon Non-Residency

At no time may non-residents of Canada be the beneficial owners of Fund Units. If a Fund Unitholder becomes a non-resident of Canada or otherwise becomes a "designated beneficiary" as defined in section 210 of the Tax Act (and as defined in proposed subsection 210(1) of the Tax Act), the Debenture Fund Trustee may in its discretion, either forthwith redeem all or a part of the Fund Units held by such Fund Unitholder, or by written notice require the Fund Unitholder to, within thirty (30) days, transfer the Fund Units to a transferee who is not a "designated beneficiary" as defined in section 210 of the Tax Act. The redemption proceeds payable for each Fund Unit to be redeemed will be equal to 85% of the lesser of the Subscription Price and the Net Asset Value per Fund Unit determined on the day on which the Debenture Fund Trustee issues the redemption notice.

Powers and Responsibilities of the Debenture Fund Trustee

The Debenture Fund Trustee has exclusive authority to manage the operations and affairs of the Debenture Fund and to make all decisions regarding the business of the Debenture Fund, and has authority to bind the Debenture Fund. The powers, authorities and responsibilities of the Debenture Fund Trustee are limited to those expressly set forth in the Debenture Fund Declaration. The Debenture Fund Trustee is responsible for managing the business and administration of the Debenture Fund and the conduct of the affairs of the Debenture Fund, including without limitation:

- (a) holding Debenture Fund Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of the Debenture Fund Property (as such term is defined in the Debenture Fund Declaration);
- (b) ensuring that the Net Subscription Proceeds are invested in Debentures as described in Item 3.2;

- (c) borrowing money as necessary to pay distributions to Fund Unitholders, and encumbering Debenture Fund Property in respect thereof;
- (d) paying properly incurred expenses out of Debenture Fund Property;
- (e) depositing monies from time to time forming part of the Debenture Fund Property in accounts;
- (f) possessing and exercising rights, powers and privileges appertaining to ownership of or interest in Debenture Fund Property;
- (g) holding legal title to Debenture Fund Property;
- (h) appointing the accountants of and registrar and transfer agent for the Debenture Fund;
- (i) appointing the bankers of the Debenture Fund;
- (j) ensuring compliance with applicable securities legislation;
- (k) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;
- (l) providing all requisite office accommodation and associated facilities;
- (m) providing or causing to be provided to the Debenture Fund all other administrative and other services and facilities required by the Debenture Fund; and maintaining or causing to be maintained complete records of all transactions in respect of the investment portfolio of the Debenture Fund;
- (n) prescribing any instrument provided for or contemplated by the Debenture Fund Declaration; and
- (o) remitting distributions,

all subject to the terms and conditions set out in the Debenture Fund Declaration. The Debenture Fund Declaration provides that the Debenture Fund Trustee may engage or employ persons in connection with the Debenture Fund and pay to them compensation out of Debenture Fund Property and may delegate its powers, authorities and duties.

The Debenture Fund Trustee or any successor trustee may resign upon 60 days' notice to Fund Unitholders, or may be removed by a Special Resolution of the Fund Unitholders by notice to the Debenture Fund Trustee not less than sixty (60) days prior to the date that such removal is to take effect, provided a successor trustee is appointed or the Debenture Fund is terminated. In the event that the Debenture Fund Trustee resigns or is removed or becomes incapable of acting or if for any cause a vacancy shall occur in the office of the Debenture Fund Trustee, a successor trustee shall forthwith be appointed by the Fund Unitholders by Special Resolution to fill such vacancy. Forthwith following such appointment of a successor trustee, the Debenture Fund Trustee shall execute and deliver such documents as such successor trustee may require for the conveyance of any property of the Debenture Fund held in the Debenture Fund Trustee's name, shall account to the successor trustee for all property of the Debenture Fund which the Debenture Fund Trustee holds as trustee and shall thereupon be discharged as trustee.

The Debenture Fund Declaration provides that the Debenture Fund Trustee will be indemnified out of the Debenture 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 Debenture Fund Trustee or officer or director of the Debenture Fund 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 Debenture Fund Declaration. 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 Debenture 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.

In addition, the Debenture Fund Declaration contains other customary provisions limiting the liability of the Debenture Fund Trustee and indemnifying the Debenture Fund Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Debenture Fund Trustee will not receive fees from the Debenture Fund for acting as trustee of the Debenture Fund, and will be reimbursed by the Debenture Fund for all expenses and liabilities which are properly incurred by the Debenture Fund Trustee in connection with the activities of the Debenture Fund. The Debenture Fund Trustee may dispose of any Debenture Fund Property on such terms as the Debenture Fund Trustee may in its sole discretion determine for the purpose of paying any obligations imposed on the Debenture Fund or for repaying any loan hereby authorized.

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

Rights of Unitholders

A Fund Unitholder has substantially all of the same protections, rights and remedies as a shareholder would have under the CBCA, except as described herein. Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust for the Debenture Fund. For example, Fund Unitholders are entitled to exercise voting rights in respect of their Fund Units in a manner comparable to shareholders of a CBCA corporation, and provisions relating to the calling and holding of meetings of Fund Unitholders included in the Declaration of Trust are comparable to those of the CBCA. Unlike shareholders of a CBCA corporation, Fund Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Debenture Fund. The matters in respect of which Fund Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation. The appointment of auditors is reserved to the Debenture Fund Trustee rather than the Unitholders. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially or of its property, or a going private transaction). As an alternative, Fund Unitholders seeking to terminate their investment in the Debenture Fund are entitled to receive, subject to certain conditions and limitations, their pro rata share of the Debenture Fund's net assets through the exercise of the redemption rights described above under "Redemption". Fund Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties.

Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances, whereas Fund Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding up of the Debenture Fund with the approval of a Special Resolution of the Fund Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

Administration of the Debenture Fund

The General Partner will act as the administrator of the Debenture Fund pursuant to the terms of the Administration Agreement.

The foregoing is a summary only of certain of the material provisions of the Debenture Fund Declaration. For a complete understanding of all of the provisions of the Debenture Fund Declaration Agreement, reference should be made to the Debenture Fund Declaration itself, a copy of which is available from the Debenture Fund Trustee.

8.3 LP Units

The rights and obligations of the General Partner and the Limited Partners are governed by the Limited Partnership Agreement made August 15, 2006 among the General Partner, the Initial Limited Partner and all persons who subscribe for LP Units establishing the Limited Partnership. The following is a summary of certain material provisions of the Limited Partnership Agreement. **This summary does not purport to be complete and reference should be to the Limited Partnership Agreement itself, a copy of which is available from the General Partner.**

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Limited Partnership Agreement.

Capital in the Limited Partnership

The capital of the Limited Partnership consists of up to 60,000 LP Units, plus the respective interests held by the Initial Limited Partner and the General Partner. The Limited Partnership is offering up to 36,000 LP Units at a total price of \$9,000,000 pursuant to this Offering.

The General Partner and the Initial Limited Partner each have made a capital contribution of \$10 to the Limited Partnership, and have no further obligation to contribute capital. Limited Partners will contribute to the Limited Partnership \$250 in capital per LP Unit purchased.

Cash Flow from Operations

In each fiscal year of the Limited Partnership, the Limited Partnership will pay and distribute an amount equal to all cash flow from operations of the Properties in that year after payment of all current obligations relating to the Properties, including all current principal and interest payments under the Mortgage Loans, all interest payable under the Debentures, and after the creation of reasonable working capital and capital improvement reserves as determined by the General Partner.

Cash flow arising from the ordinary course of operations of the Properties will be distributed as follows:

- (a) first, to each of the General Partner and the Initial Limited Partner will be paid .005% of the net income or net loss of the Limited Partnership to a maximum of \$100 per annum;
- (b) secondly, the Limited Partners will be paid the amount of the Limited Partners' Minimum Return. The General Partner will not be entitled to share in cash flow, proceeds of sale, and surplus proceeds from refinancing until the Limited Partners' Minimum Return has been paid. The Limited Partners' Minimum Return will be calculated on a non-compounded, cumulative basis such that in the years when the Limited Partners' Minimum Return is not available from cash flow, it will accumulate and be paid from cash flow in subsequent years;
- (c) thirdly, the General Partner will be paid the Incentive Management Interest (being an amount equal to 20/80ths of the total to the date of such distribution of: (i) the total payments made to Limited Partners in respect of the Limited Partners' Minimum Return to that date, and (ii) the total interest paid on the Debentures to that date, thereby providing the General Partner with a 20% share of the total of the interest paid on the Debentures and the amounts distributed to the Limited Partners by the Limited Partnership up to that date); and
- (d) fourthly, the balance will be paid out as to 80% to the Limited Partners and 20% to the General Partner.

Net Proceeds from Refinancings, Sale or other Capital Transactions

Subject to the right of the General Partner to allocate net income and taxable income in such manner as is required to reverse any negative balance in a Limited Partner's capital account and to allocate revenues and expenses among Limited Partners to ensure they are treated equitably, all net income and taxable income of the Limited Partnership arising from any capital transaction in respect of the Properties, will be allocated to the Limited Partners and General Partner on the following basis:

- (a) first, each of the General Partner and the Initial Limited Partner will be allocated .005% of the such proceeds to a maximum of \$100 per annum;
- (b) secondly,
 - (i) if the Limited Partners have not received repayment in full of the Net Equity, Limited Partners, other than the Initial Limited Partner, will be allocated such proceeds, *pro rata* in accordance with their respective Income Shares, until they have received repayment of the Net Equity in full;
 - (ii) if the Limited Partners have received repayment in full of the Net Equity, Limited Partners, other than the Initial Limited Partner, will be allocated the Minimum Return, *pro rata* in accordance with their respective Income Shares;
- (c) thirdly, the General Partner shall be allocated:
 - (i) its Incentive Management Interest; plus

- (ii) to the extent that the amount allocated to the Limited Partners pursuant to subsection (b) above exceeds the Minimum Return, the General Partner will be allocated such proceeds in an amount equal to 20/80ths of such excess; and
- (d) fourthly, the balance of such proceeds will be allocated 80% to the Limited Partners, pro rata in accordance with their respective Income Shares, and 20% to the General Partner.

All net proceeds received by the Limited Partnership from any capital transaction in respect of the Properties, after the creation of a reasonable reserve as determined by the General Partner, will be distributed in the following order:

- (a) in the event of a sale of a Property, to pay any costs involved in the sale, including the Disposition Fee payable to the General Partner, and to pay all amounts required to discharge any Mortgage Loans or encumbrances registered against the Property;
- (b) to pay to the Limited Partners that amount which is estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of the sale;
- (c) to pay all current obligations of the Limited Partnership, including without limitation, the Debentures and any loans advanced by the General Partner or the Limited Partners, plus accrued interest, and to the extent then payable the Asset Management Fee payable under the General Partner Services Agreement;
- (d) if the Limited Partners have not received cash distributions equal to the Minimum Return, to the Limited Partners until they have received the full Minimum Return;
- (e) to the Limited Partners until the Limited Partners have received repayment in full of the Net Equity;
- (f) if the Limited Partners have been allocated net proceeds from any capital transaction in excess of the Minimum Return, such proceeds will be distributed to the Limited Partners in proportion to their share of such excess until each has received the sum of their Minimum Return plus such excess;
- (g) if the General Partner has not received any unpaid amount or amounts of the Incentive Management Interest to which it is entitled, such amount or amounts will be distributed to the General Partner;
- (h) if the General Partner is allocated any of the net proceeds from the capital transaction pursuant to section (c)(ii) above as a result of allocations to the Limited Partners exceeding the Minimum Return, net proceeds will be distributed to the General Partner until the full amount of such excess allocation is paid to the General Partner; and
- (i) the balance will be distributed 80% to the Limited Partners and 20% to the General Partner.

Notwithstanding the foregoing, upon any sale of a Property which closes on or before December 31, 2007, the General Partner may in its discretion retain for re-investment by the Limited Partnership the net proceeds from such sale, including any gain on the sale, provided that the Limited Partnership will

distribute to the Limited Partners an amount estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of such sale.

In accordance with the policies of the Autorité des marchés financiers, the Limited Partnership Agreement provides that the Limited Partnership may only sell a Property to a Related Party if the price paid is not less than the market value of the Property, as determined by an independent valuator. No commission is payable to any Related Party in connection with the sale of a Property.

Additional Capital Contributions

No Limited Partner is required to make additional capital contributions to the Limited Partnership over and above the purchase price paid for such Limited Partner's LP Units.

Partner Loans

If the Limited Partnership requires additional funding, the General Partner may request that one or more Limited Partners voluntarily loan funds to the Limited Partnership. If a Limited Partner elects to make a loan to the Limited Partnership, the Limited Partnership will be required to repay such loan, together with interest thereon, in priority to any distributions of amounts in respect of cash flow from the operations of the Properties, and in priority to any distributions of net proceeds received by the Limited Partnership from any capital transaction in respect of the Properties.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Limited Partnership, the assets of the Limited Partnership will be liquidated and the proceeds of dissolution will be distributed in the following order:

- (a) in the event that dissolution occurs upon the sale of the last of the Properties, to pay any costs involved in the sale, including the Disposition Fee payable to the General Partner, and to pay all amounts required to discharge any Mortgage Loans or encumbrances registered against the Properties;
- (b) to pay all expenses incurred in the winding-up of the Limited Partnership;
- (c) to pay all of the liabilities of the Limited Partnership, including any loans or advances made by Limited Partners, any amounts owing to the General Partner in respect of costs and expenses owing to it pursuant to the Partnership Agreement, and to the extent then payable the Asset Management Fee payable under the General Partner Services Agreement, in the manner required by law;
- (d) to establish such reserves as the General Partner considers necessary;
- (e) to return to each Limited Partner the Net Equity;
- (f) to return to the General Partner and the Initial Limited Partner their respective capital contributions of \$10;
- (g) to pay to the Limited Partners any unpaid portion of their Minimum Return;
- (h) if the General Partner has not received any unpaid amount or amounts of the Incentive Management Interest to which it is entitled, to pay such amount to the General Partner; and

- (i) to distribute any balance then remaining 80% to the Limited Partners, pro rata in accordance with their respective Income Shares, and 20% to the General Partner.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the Limited Partnership will be allocated first to the Limited Partners to the extent of their equity accounts (being their Net Equity less prior loss allocations and distributions plus prior income allocations and contributions), and thereafter to the General Partner. For tax and accounting purposes, net income for each fiscal year of the Limited Partnership will be allocated to the Limited Partners and the General Partner in the same manner and in the same priorities in which cash flow from operations and distributions of net proceeds from refinancings, sale or other capital transactions are ultimately distributed to such parties (excluding returns of capital and repayments of the principal amount of loans) subject to adjustments for prior year loss allocations and such other adjustments as necessary to be made on a cumulative basis.

Limited Redemption Rights

Pursuant to the Limited Partnership Agreement, Limited Partners have a limited right to require the Limited Partnership to redeem the LP Units, subject to the following terms and conditions:

- (a) the obligation of the Limited Partnership to redeem LP Units will be subject to the General Partner determining, in its sole discretion, that funds are available to the Limited Partnership for the purposes of redemption;
- (b) the redemption price (the "Redemption Price") of an LP Unit at any particular date will be equal to 95% of:
 - (i) the aggregate value of the real estate assets of the Limited Partnership on the last day of the most recent calendar quarter that ends prior to the particular date, or, where the amount would be a lesser amount, at the particular date itself, as determined by the General Partner; plus
 - (ii) the aggregate value of the cash and other working capital assets of the Limited Partnership on the particular date; less
 - (iii) the aggregate of:
 - (A) the aggregate value of the Limited Partnership's liabilities on the particular date (including the aggregate amount of the Debentures outstanding on the particular date); and
 - (B) the amount which would be payable to the General Partner or the Debenture Fund (other than amounts included in (iii)(A) above) if the Limited Partnership was terminated and then liquidated on the particular date;divided by the number of outstanding LP Units on such date;
- (c) on any particular date that the General Partner may establish, but in any event on or before May 31 in each year, commencing on May 31, 2010, the General Partner will

determine and provide written notice (“General Partners’ Notice”) to the Limited Partners of the following:

- (i) the date on which they may require the Limited Partnership to redeem some or all of their LP Units (the “Redemption Date”), which date shall be January 15th following the date of the General Partner’s Notice, unless an earlier date is specified therein;
 - (ii) the Redemption Price of the LP Units determined on the date of the General Partner’s Notice, which Redemption Price shall be the price at which an LP Unit may be redeemed on the Redemption Date for an equivalent amount of cash or other consideration, subject to the further conditions specified herein.
- (d) a Limited Partner (the “Requestor”) wishing to have his LP Units redeemed by the Limited Partnership on a Redemption Date may, by delivering notice in writing to the Limited Partnership prior to July 1 in each year (the “Notice Date”), commencing on July 1, 2010, or such earlier Notice Date as may be specified in a General Partner’s Notice, require the redemption of all or part of his LP Units;
- (e) the number of LP Units which will be redeemed on any one Redemption Date will be limited in each year to 5% of the total number of LP Units issued by the Limited Partnership;
- (f) if by any Notice Date the Limited Partnership has received notices requiring the Limited Partnership to redeem a number of LP Units in excess of 5% of the total of number of LP Units issued by the Limited Partnership, or if on a Redemption Date the General Partner determines that funds are not available to the Limited Partnership to redeem the number of LP Units in respect of which a request for redemption has been made, then the redemption of LP Units on the next following Redemption Date will be made *pro rata* to the number of LP Units in respect of which requests for redemption have been made;
- (g) on a Redemption Date, commencing on January 15, 2011 or such earlier date as specified in a General Partner’s Notice, the Limited Partnership will pay to the Requestors, the Redemption Price for each LP Unit in respect of which redemption will be made; and
- (h) all accrued and unpaid Limited Partners’ Minimum Return in respect of LP Units which are redeemed will be forfeited.

Management and Control of the Limited Partnership

Under the terms of the Limited Partnership Agreement, the General Partner is given full power and authority to manage, control, administer and operate the business of the Limited Partnership, except for certain matters being subject to votes of the Limited Partners. No Limited Partner is permitted to take part in the management of the business of the Limited Partnership. The General Partner has unlimited liability for the debts, liabilities and obligations of the Limited Partnership to the extent required by the *Partnership Act* (British Columbia) and other applicable legislation. A Limited Partner will not be liable for any debts, liabilities or obligations of the Limited Partnership in excess of such Limited Partner’s paid capital contributions and any unpaid capital contributions agreed to be paid in respect of such Limited Partner’s LP Units, provided such Limited Partner does not take part in the control or management of the business of the Limited Partnership.

Removal of the General Partner

The Limited Partners may, by Special Resolution and upon 60 days written notice to the General Partner, remove the General Partner without cause, and may remove the General Partner for cause, if such cause is not remedied after reasonable notice from the Limited Partners. In either such case, the Limited Partners will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed General Partner, and the removed General Partner will be released of its liabilities under the Limited Partnership Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Limited Partnership after the appointment of the new General Partner.

In the event of the removal of the General Partner, the Limited Partnership may terminate the General Partner Services Agreement and any other agreements made between the Limited Partnership and the General Partner or a Related Party, upon the payment by the Limited Partnership to the General Partner or such Related Party of the amount stated in such agreement to be payable upon termination or, in the absence thereof, a reasonable termination compensation. Upon termination of the General Partner Services Agreement, the Limited Partnership will be responsible for the payment to the General Partner of any and all fees payable under that Agreement, and all expenses incurred and paid by the General Partner, up to the date immediately prior to the date of termination. As well, the Limited Partnership will purchase from the former General Partner its interest in the Limited Partnership for a price equal to the fair market value thereof.

The removal and replacement of the General Partner will not dissolve the Limited Partnership, and the business of the Limited Partnership will be continued by the new General Partner.

Voting

Each LP Unit has attached to it the right to exercise one vote at meetings of the Limited Partnership. Certain powers, relating generally to the existence and fundamental powers of the Limited Partnership, are specified in the Limited Partnership Agreement to be exercisable only by way of a Special Resolution passed by the Limited Partners.

Financial Information

The General Partner has agreed under the Limited Partnership Agreement to distribute a copy of audited annual financial statements to each Limited Partner within ninety (90) days after the end of each fiscal year of the Limited Partnership, and to provide each Limited Partner with annual income tax information for each fiscal year by March 31 of the following year to facilitate the declaration by each Limited Partner of his, her or its share of the Limited Partnership's income. All financial statements will be prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis, and will contain a breakdown of any expenses for which Related Parties have been reimbursed. The General Partner will also provide interim financial and management reports regarding the affairs of the Limited Partnership on a semi-annual basis.

Residency

Under the terms of the Limited Partnership Agreement, LP Units may only be held by persons or entities that are residents of Canada for Canadian income tax purposes. If, at any time, a Limited Partner becomes a non-resident for Canadian income tax purposes, such non-resident Limited Partner may be required to sell such Limited Partner's LP Units to a resident of Canada.

The foregoing is a summary only of certain of the material provisions of the Limited Partnership Agreement. For a complete understanding of all of the provisions of the Limited Partnership Agreement, reference should be made to the Limited Partnership Agreement itself, a copy of which is available from the General Partner.

8.4 Debentures

The Limited Partnership has authorized the issuance of up to 60,000 Debentures of \$1,000 each for total proceeds of \$60,000,000. In the event that the maximum Offering of 36,000 Units is sold, a total of 36,000 Debentures will be issued by the Limited Partnership to the Debenture Fund For a total price of \$36,000,000.

The Debentures will bear interest at a fixed, simple rate of 8% per annum. Interest will be paid quarterly in arrears on the 15th days of each of January, April, July and October commencing on January 15, 2007.

The Debentures have a term of approximately five years, maturing October 31, 2011 whereupon all principal and accrued interest will become due and payable. The term of the Debentures may be extended by way of the favourable vote of Debentureholders owning Debentures representing more than 50% of the dollar principal amount of Debentures then outstanding. The Limited Partnership may redeem the Debentures either in whole at any time or in part from time to time, in advance of maturity. Debentureholders will also have a limited right to require the Limited Partnership to redeem the Debentures prior to maturity, as set out in further detail below under the heading "*Limited Redemption Rights*".

The Debentures will be secured by way of a general security agreement given by the Limited Partnership to the Debenture Fund over the personal property held by the Limited Partnership, notice of which will be registered in the personal property security registries of the provinces in which the Limited Partnership carries on business.

The interest, rights and obligations of Debentureholders are set out in the Debenture Indenture. Under the Debenture Indenture, the Debentureholders may, by a vote of Debentureholders holding, in aggregate, 75% or more of the Debentures outstanding cast at a meeting called for that purpose, make certain amendments to the Debenture Indenture and Debentures, including extending the term of the Debentures. The Debentures will rank equally with one another and will be secured equally under the Debenture Indenture. It will be an event of default under the Debenture Indenture if the Limited Partnership fails to pay when due any amount payable under the Debenture Indenture or fails to perform any of its conditions, covenants or other obligations under the Debenture Indenture; if any representation or warranty by the Limited Partnership contained in the Debenture Indenture is materially incorrect or misleading; if an order is made or an effective resolution passed for the winding-up or liquidation of the General Partner or Limited Partnership; if the General Partner or Limited Partnership makes a general assignment for the benefit of its creditors, or is declared bankrupt, or if a receiver or a manager or a receiver-manager or any other officer with similar powers is appointed in respect of the General Partner or Limited Partnership; or if either of the General Partner or Limited Partnership becomes insolvent. Upon the occurrence of an event of default, subject to certain terms and conditions set out in the Debenture Indenture, the Debentureholders may, by way of the favourable vote of Debentureholders owning Debentures representing more than 75% of the dollar principal amount of Debentures then outstanding, demand payment of all monies evidenced by the Debentures and enforce the security interest created by the Debenture Indenture by realizing upon the Debentures.

Limited Redemption Rights

Pursuant to the Debenture Indenture, Debentureholders will have a limited right to require the Limited Partnership to redeem the Debentures, as follows:

- (a) the obligation of the Limited Partnership to redeem Debentures will be subject to the General Partner determining, in its sole discretion, that funds are available to the Limited Partnership for the purposes of redemption;
- (b) on or before May 31 in each year, commencing on May 31, 2010, the Limited Partnership will determine and provide written notice to the Debentureholders of the price at which Debentures will be redeemed (the "Redemption Price") on the following January 15th (a "Redemption Date"), which will be equal to 95% of the aggregate principal amount of the Debentures on the redemption date divided by the number of outstanding Debentures on such date;
- (c) a Debentureholder (the "Requestor") wishing to have his Debentures redeemed by the Limited Partnership may, by delivering notice in writing to the Limited Partnership prior to July 1 in each year (the "Notice Date"), commencing on July 1, 2010, require the redemption of all or part of his Debentures;
- (d) the number of Debentures which will be redeemed on any one Redemption Date will be limited in each year to 5% of the total number of Debentures issued by the Limited Partnership;
- (e) if by any Notice Date the Limited Partnership have received notices requiring the Limited Partnership to redeem a number of Debentures in excess of 5% of the total of number of Debentures issued by the Limited Partnership, or if on a Redemption Date the General Partner determines that funds are not available to the Limited Partnership to redeem the number of Debentures in respect of which a request for redemption has been made, then the redemption of Debentures on the next following Redemption Date will be made *pro rata* to the number of Debentures in respect of which requests for redemption have been made; and
- (f) on a Redemption Date, commencing on January 15, 2011, the Limited Partnership will pay to the Requestors, the Redemption Price for each Debenture in respect of which redemption will be made.

8.5 Subscription

The acceptance of an offer to purchase, whether by allotment in whole or in part, by the Trusts shall constitute a subscription agreement between the Purchaser and the Trusts upon the terms and conditions set out in this Prospectus, the Realty Trust Declaration and the Debenture Fund Declaration, whereby the Purchaser, among other things:

- (a) irrevocably authorizes and directs the Agents to provide certain information to the Realty Trustee and the Debenture Fund Trustee, including such Purchaser's full name, residential address, telephone number, social insurance, business or corporation account number, as the case may be, and the name and registered representative number of the Agents, and covenants to provide such information to the Agents;

- (b) acknowledges that he, she or it, as the case may be, is bound by the terms of the Realty Trust Declaration and is liable for all obligations of a Trust Unitholder;
- (c) agrees to be bound as a party to the Debenture Fund Declaration and is liable for all obligations of a Fund Unitholder;
- (d) acknowledges that in the event of a redemption of Trust Units and the payment of the redemption price therefor by way of the transfer to the Purchaser of LP Units, he, she or it, as the case may be, will be bound by the terms of the Limited Partnership Agreement, and will be liable for all obligations as a Limited Partner;
- (e) agrees that in the event of a redemption of Fund Units and the payment of the redemption price therefor by way of the transfer to the Purchaser of Debentures, he, she or it, as the case may be, will be bound as a party to the Debenture Indenture, as from time to time amended and in effect;
- (f) makes representations and warranties, including without limitation, the respective representations and warranties set out in the Realty Trust Declaration and the Debenture Fund Declaration;
- (g) irrevocably nominates, constitutes and appoints the Realty Trustee as the Purchaser's true and lawful attorney and agent with the full power and authority as set out in the Realty Trust Declaration;
- (h) irrevocably nominates, constitutes and appoints the Debenture Fund Trustee as the Purchaser's true and lawful attorney and agent with full power and authority as set out in the Debenture Fund Declaration;
- (i) in the event of a redemption of Trust Units and the payment of the redemption price therefor by way of the transfer to the Purchaser of LP Units, irrevocably nominates, constitutes and appoints the General Partner as the Purchaser's true and lawful attorney and agent with full power and authority as set out in the Limited Partnership Agreement; and
- (j) in the event of a redemption of Fund Units and the payment of the redemption price therefor by way of the transfer to the Purchaser of Debentures, irrevocably nominates, constitutes and appoints the General Partner as the Purchaser's true and lawful attorney and agent with full power and authority as set out in the Debenture Indenture.

The foregoing subscription agreement shall be evidenced by delivery of this Prospectus to the Purchaser, provided that the subscription has been accepted by the Trusts.

A Purchaser whose subscription is accepted by the Trusts will become a Trust Unitholder and a Fund Unitholder upon the amendment of the record of Trust Unitholders and Fund Unitholders maintained by the Realty Trustee and Debenture Fund Trustee, respectively. If a subscription is withdrawn, in the time permitted for rescission pursuant to applicable securities laws, or is not accepted, all documents will be returned to the Purchaser within 15 days following such withdrawal or rejection.

9. SHARE AND LOAN CAPITAL

9.1 Existing and Proposed Share Capital

Realty Trust

The following table summarizes information about outstanding securities of the Realty Trust:

| Description of security | Number authorized to be issued | Number outstanding and carrying value as at August 25, 2006 | Number outstanding and carrying value after Offering | |
|---|--------------------------------|---|--|--|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| Initial contribution by SRAI as settlor | 1 | 1 (\$10) | 1 (\$10) | 1 (\$10) |
| Trust Units | unlimited | Nil | 4,000 (\$1,000,000) ⁽¹⁾ | 36,000 (\$9,000,000) ⁽¹⁾ |

⁽¹⁾ Gross proceeds before issuance costs. Issuance costs will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement.

Debenture Fund

The following table summarizes information about outstanding securities of the Debenture Fund:

| Description of security | Number authorized to be issued | Number outstanding and carrying value as at August 25, 2006 | Number outstanding and carrying value after Offering | |
|---|--------------------------------|---|--|---|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| Initial contribution by SRAI as settlor | 1 | 1 (\$10) | 1 (\$10) | 1 (\$10) |
| Fund Units | unlimited | Nil | 4,000 (\$4,000,000) ⁽¹⁾ | 36,000 (\$36,000,000) ⁽¹⁾ |

⁽¹⁾ Gross proceeds before issuance costs. Issuance costs will be borne by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement.

Limited Partnership

The following table summarizes information about outstanding securities of the Limited Partnership:

| Description of security | Number authorized to be issued | Number outstanding and carrying value as at August 25, 2006 | Number outstanding and carrying value after Offering | |
|------------------------------------|--------------------------------|---|--|---------------------------|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| Initial Limited Partner's Interest | 1 | 1 (\$10) | 1 (\$10) | 1 (\$10) |

| Description of security | Number authorized to be issued | Number outstanding and carrying value as at August 25, 2006 | Number outstanding and carrying value after Offering | |
|----------------------------|--------------------------------|---|--|---|
| | | | Assuming Minimum Offering | Assuming Maximum Offering |
| General Partner's Interest | 1 | 1 (\$10) | 1 (\$10) | 1 (\$10) |
| LP Units | 60,000 | Nil | 4,000 (\$1,000,000) ⁽¹⁾ | 36,000 (\$9,000,000) ⁽¹⁾ |
| Debentures | 60,000 | Nil | 4,000 (\$4,000,000) ⁽¹⁾ | 36,000 (\$36,000,000) ⁽¹⁾ |

⁽¹⁾ Gross proceeds before issuance costs.

General Partner

The following table summarizes information about outstanding common shares of the General Partner:

| Description of security | Number authorized to be issued | Number outstanding and carrying value as at August 25, 2006 | Number outstanding and carrying value after Offering |
|-------------------------|--------------------------------|---|--|
| Common Shares | Unlimited (no par value) | 1,000 (\$10) | 1,000 (\$10) |

9.2 Long-Term Debt

Realty Trust and Debenture Fund

Neither the Realty Trust nor Debenture Fund has any long-term debt.

Limited Partnership

Neither the Limited Partnership nor the General Partner has any long-term debt.

The Limited Partnership intends to borrow funds by way of the Debentures. Assuming all 36,000 Units are sold pursuant to this Offering, the Debentures will be in the principal amount of \$36,000,000.

The Limited Partnership also intends to finance a part of the purchase price of the Properties by way of Mortgage Loans from third party Lenders. The General Partner will target the overall loan to value ratio of the Mortgage Loans at not more than 75% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the Lenders. Such loans will generally be for terms of three to seven years, with fixed interest rates calculated with reference to the interest rate on a government bond with a similar term, plus an amount determined in accordance with market factors. The Mortgage Loans will be secured by mortgages registered on the Properties in respect of which the loans were advanced, and will have priority over the repayment of the Debentures and the return of capital to the Limited Partners.

10. PRIOR SALES

There have been no prior sales of the Trust Units, Fund Funds, LP Units or Debentures offered under this Prospectus.

11. PRINCIPAL SECURITYHOLDERS

Realty Trust and Debenture Fund

After giving effect to the Offering, to the best of the knowledge of the directors and officers of the Realty Trustee and the Debenture Fund Trustee, no persons will own, directly or indirectly, or exercise control or discretion over Trust Units or Fund Units carrying more than 10% of the votes attached to all of the issued and outstanding Trust Units and Fund Units.

Limited Partnership

As of the date of this Prospectus, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, securities of the Limited Partnership which constitute more than 10% of such outstanding securities:

| Name and Municipality of Residence | Class | Ownership | Number of Securities | Percentage of Class Prior to the Offering | Percentage of Class After the Offering |
|--|------------------------------------|-----------|----------------------|---|--|
| Sunstone Realty Advisors (2006) Inc. ⁽¹⁾ Vancouver, B.C. | General Partner's Interest | Direct | 1 | 100% | 100% |
| SRA First Partner Ltd. ⁽²⁾ Vancouver, B.C. | Initial Limited Partner's Interest | Direct | 1 | 100% | 100% |

⁽¹⁾ The shares of Sunstone Realty Advisors (2006) Inc. are owned by Triple E Ventures Inc. and Darren Developments Inc., as to 50% each. Steve Evans is the sole director, officer and shareholder of Triple E Ventures Inc., and Darren Latoski is the sole director, officer and shareholder of Darren Developments Inc.

⁽²⁾ The shares of SRA First Partner Ltd. are owned by Triple E Ventures Inc. and Darren Developments Inc., as to 50% each. Steve Evans is the sole director, officer and shareholder of Triple E Ventures Inc., and Darren Latoski is the sole director, officer and shareholder of Darren Developments Inc.

After giving effect to the Offering, the Realty Trust will own and exercise control and discretion over all of the issued and outstanding LP Units.

The General Partner

As of the date of this Prospectus, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, common shares which constitute more than 10% of the issued and outstanding common shares of the General Partner:

| Name and Municipality of Residence | Class | Ownership | Number of Securities | Percentage of Class Prior to the Offering | Percentage of Class After the Offering |
|------------------------------------|--------|-------------------------|----------------------|---|--|
| Steve Evans North Vancouver, BC | Common | Indirect ⁽¹⁾ | 500 | 50% | 50% |
| Darren Latoski Vancouver, BC | Common | Indirect ⁽²⁾ | 500 | 50% | 50% |
| TOTAL | -- | -- | 1,000 | 100% | 100% |

⁽¹⁾ These shares are owned by Triple E Ventures Inc., of which Mr. Evans is the sole director, officer and shareholder.

⁽²⁾ These shares are owned by Darren Developments Inc., of which Mr. Latoski is the sole, director, officer and shareholder.

12. DIRECTORS AND OFFICERS

12.1 Name, Address, Occupation and Security Holding

Realty Trustee and Debenture Fund Trustee

The directors and executive officers of the each of the Realty Trustee and the Debenture Trustee, their respective offices, principal occupations during the past five (5) years and the number, class and kind of securities of each of the Realty Trustee and the Debenture Trustee are the same. The following are the names, ages and municipalities of residence of such directors and executive officers, their respective offices with the Realty Trustee and the Debenture Fund Trustee, their principal occupations during the past five (5) years and the number, class and kind of securities of the Realty Trustee and the Debenture Fund Trustee held by each of them.

| Name, Age, Municipality of Residence and Position Held with Realty Trustee and Debenture Fund Trustee | Principal Occupation | Periods Served as a Director or Officer | Securities of the Realty Trustee and Debenture Fund Trustee Beneficially Owned or Directly or Indirectly Controlled | Percentage of Class Outstanding | Percentage of Class Outstanding After Giving Effect to this Offering |
|---|---|---|---|---------------------------------|--|
| Robert W. King Age 40 Vancouver, BC Secretary and Director | President of King Pacific Capital Corporation, a financial services company involved in mortgage finance and real estate investment, from January 1994 to present. Director of Wall Financial Corporation, a real estate investment and development | Director since August 17, 2006. | 500 common shares ⁽¹⁾ | 50% | 50% |

| Name, Age, Municipality of Residence and Position Held with Realty Trustee and Debenture Fund Trustee | Principal Occupation | Periods Served as a Director or Officer | Securities of the Realty Trustee and Debenture Fund Trustee Beneficially Owned or Directly or Indirectly Controlled | Percentage of Class Outstanding | Percentage of Class Outstanding After Giving Effect to this Offering |
|---|--|---|---|---------------------------------|--|
| | company, from March 2005 to present. Director of PlanetOut Inc., an online media company, from February 2004 to present. Trustee of WesternOne Equity Income Fund, a fund established to acquire privately-owned small and mid-market businesses, June 2006 to present. | | | | |
| James Redekop Age 46 Mt. Lehman, BC Director | President of Redekop Holdings Inc. from March 1996 to present. Redekop Holdings Inc. is a personal holding company with interests in real estate development and construction projects. | Director since August 17, 2006. | 500 common shares ⁽²⁾ | 50% | 50% |
| Darren Latoski Age 37 Vancouver, BC President | Director and President of Sunstone Realty Advisors Inc.; Director and President of Sunstone Realty Advisors (Canada) Inc.; Director and President of Sunstone Realty Advisors (Canada) Inc.; Director and President of Churchill Property Group Inc., from January 2002 to present; President of Darren Developments Inc., a personal holding, investment, development and management company from September 1989 to present; Trustee of WesternOne Equity Income Fund and President and CEO of WesternOne Equity GP Inc., which were established to acquire privately-owned small and mid-market businesses, June 2006 to present; Vice President of Macluan Capital Corporation from December 1997 to February 2001. | President since August 17, 2006. | none | n/a | n/a |

- (1) These shares are owned by King Pacific Capital Corporation, of which Mr. King is the sole director, officer and shareholder.
- (2) These shares are owned by Redekop Holdings Inc., of which Mr. Redekop is the sole director, officer and shareholder.
- (3) The audit committee of the Realty Trustee and the Debenture Fund Trustee will be comprised of Mr. King and Mr. Redekop.

Personal Profiles

Robert W. King – Mr. King is President of King Pacific Capital Corporation, a financial services company involved in mortgage finance and real estate investment. Mr. King is also a principal of Westbridge Capital Group, a full-service commercial mortgage brokerage company. From August 1992 to January 1996 Mr. King was employed by Jagger Grierson Financial Corporation as a commercial mortgage broker. From March 2005, Mr. King has served on the Board of Directors of Wall Financial Corporation, a real estate investment and development company whose shares are listed for trading on the Toronto Stock Exchange. Since December 2002, Mr. King has served on the Board of Directors of Prescient NeuroPharma Inc., a company whose shares are listed for trading on the TSX Venture Exchange. Since February 2004, Mr. King has also served on the Board of Directors of PlanetOut Inc., an online media company whose shares are listed for trading on the Nasdaq Stock Market. Mr. King earned his M.B.A. from Dalhousie University in 1992 and a Bachelor of Arts from the University of British Columbia in 1989.

James Redekop - Since leaving the single family home construction industry in 1986, Mr. Redekop has been involved in multi-family housing and commercial construction and development in British Columbia, primarily through special-purpose private companies held through Redekop Holdings Inc., Mr. Redekop's holding company. His primary focus has been with residential wood-frame condominium and townhouse projects. Over the past eighteen years, he has acted as General Contractor or Project Manager on 36 multi-family developments ranging from the 58 unit Valhalla townhouse site in Whistler, British Columbia, to the 151 unit Tiffany Shores development on the shores of the Fraser River in New Westminster, British Columbia, and, more recently, two 50 unit condominium projects in the Kitsilano neighbourhood of Vancouver, British Columbia.

Mr. Redekop was also co-owner and co-developer on 14 of the 36 projects referred to above, gaining valuable experience in the housing industry. Together with partners, he has retained 5 of the 36 buildings as rental properties.

Darren Latoski – Mr. Latoski's profile is set out below under the heading "Limited Partnership and the General Partner".

Limited Partnership and the General Partner

The Limited Partnership is managed by the General Partner and does not have a board of directors or any officers.

The following are the names, ages and municipalities of residence of the directors and executive officers of the General Partner, their respective offices with the General Partner, their principal occupations during the past five (5) years and the number, class and kind of securities of the General Partner held by each of them.

| Name, Age, Municipality of Residence and Position Held with the General Partner | Principal Occupation | Periods Served as a Director | Securities of the General Partner Beneficially Owned or Directly or Indirectly Controlled | Percentage of Class Outstanding | Percentage of Class Outstanding After Giving Effect to this Offering |
|---|--|---|---|---------------------------------|--|
| Darren Latoski Age 37 Vancouver, BC President and Director | Director and President of Sunstone Realty Advisors Inc.; Director and President of Sunstone Realty Advisors (Canada) Inc.; Director and President of Sunstone Realty Advisors (Canada) Inc.; Director and President of Churchill Property Group Inc., from January 2002 to present; President of Darren Developments Inc., a personal holding, investment, development and management company from September 1989 to present; Trustee of WesternOne Equity Income Fund and President and CEO of WesternOne Equity GP Inc., which were established to acquire privately-owned small and mid-market businesses, June 2006 to present; Vice President of Macluan Capital Corporation from December 1997 to February 2001. | President and Director since August 16, 2006. | 500 common shares ⁽¹⁾ | 50% | 50% |

| Name, Age, Municipality of Residence and Position Held with the General Partner | Principal Occupation | Periods Served as a Director | Securities of the General Partner Beneficially Owned or Directly or Indirectly Controlled | Percentage of Class Outstanding | Percentage of Class Outstanding After Giving Effect to this Offering |
|---|--|---|---|---------------------------------|--|
| Steve Evans Age 42 North Vancouver, BC Secretary and Director | Director and Secretary of Sunstone Realty Advisors Inc.; Director and Secretary of Sunstone Realty Advisors (Canada) Inc.; Director and Secretary of Sunstone Realty Advisors (Canada) Inc.; Director and Secretary of Churchill Property Group Inc., from January 2002 to present; President of Triple E Ventures Inc., a personal holding and investment company from June 1997 to present; Vice President of England Securities Ltd., a real estate investment, development and management company from June 1987 to September 2001; Director of WesternOne Equity GP Inc., a company established to acquire privately-owned small and mid-market businesses, June 2006 to present. | Secretary and Director since August 16, 2006. | 500 common shares ⁽²⁾ | 50% | 50% |

(1) These shares are owned by Darren Developments Inc., of which Mr. Latoski is the sole director, officer and shareholder.

(2) These shares are owned by Triple E Ventures Inc., of which Mr. Evans is the sole director, officer and shareholder.

(3) The audit committee of the General Partner will be comprised of Mr. Evans and Mr. Latoski.

Previous Real Estate Experience

As disclosed below, the principals of SRAI, Messrs. Evans and Latoski, have a wide range of experience in the real estate business, including a history of identifying real estate investment opportunities that are not being operated to their full potential, either as a result of inefficient management or the need for asset refurbishment.

Sunstone LP

Messrs. Evans and Latoski are the founders and equal owners of Sunstone Realty Advisors Inc. SRAI organized Sunstone LP, which in March and April, 2004, raised total cash proceeds from its joint offering with SRAI Capital Corp., of \$15,425,000. Sunstone LP acquired, owned, operated and has subsequently

sold Langley Crossing in Langley, British Columbia; the Westhill Centre in Nanaimo, British Columbia; and a one-half interest in Cascade Plaza in Banff, Alberta.

Sunstone LP acquired Langley Crossing in two components, consisting of an \$18,000,000 acquisition of the main retail centre, which comprises six single-storey retail buildings and one two-storey office building with a net rentable area of 98,219 square feet. At the same time, Sunstone LP acquired the RONA store at Langley Crossing for \$3,300,000, which consists of a 30,500 square foot retail “big box” store. By uniting the ownership of the two properties comprising Langley Crossing under single ownership, Sunstone LP expected to be better able to efficiently manage the property and to have an enhanced opportunity for value enhancement. Sunstone LP sold the two properties comprising Langley Crossing on September 19, 2005 for \$29,000,000.

Sunstone LP acquired the Westhill Centre on September 30, 2004 for a purchase price of \$3,040,000 plus standard closing costs and adjustments. The property was built in 1998 and is well-situated on a major four lane arterial traffic route. Westhill Centre is near the 31 acre Westhill Community development and the Nanaimo General Hospital. It is a neighbourhood retail and office centre, comprised of 34,294 square feet of rental area, with an overall site area of 146,066 square feet. The Westhill Centre tenants include a free-standing Tim Horton’s Restaurant, a second free-standing restaurant building and a 26,600 square feet, multi-tenanted, two story building with Edward D. Jones, Domino’s Pizza and other office, retail and medical services tenants. Sunstone LP sold The Westhill Centre on September 29, 2005 for \$3,550,000.

Sunstone LP acquired a 50% interest in Cascade Plaza on August 3, 2004 for an effective purchase price of \$19,850,000. Cascade Plaza is comprised of a 107,848 square feet, enclosed urban shopping centre, an 88,830 square feet enclosed parking garage and thirty two residential apartments in 18,908 square feet. The centre is the dominant retail and office complex in Banff with three floors of retail space and one floor of office space evenly distributed around a spacious atrium style enclosed shopping mall. The thirty two residential apartments are on three floors above the retail component and the 254 car garage is in an attached six level, above ground, heated and enclosed structure. Sunstone LP sold its 50% interest in Cascade Plaza on September 30, 2005 for an effective price of \$25,500,000.

Having sold all of its assets and distributed all income and gains to its partners, Sunstone LP was dissolved on July 25, 2006.

Sunstone (2004) LP

Further, SRAI organized Sunstone (2004) LP, which in November and December, 2004, raised total cash proceeds from its joint offering with SRAI Capital Corp., of \$13,075,000. Sunstone (2004) LP acquired and currently owns Drumheller Shopping Centre, in Drumheller, Alberta; Torquay Village Shopping Plaza, in Victoria, British Columbia; Scott Town Plaza shopping centre, in Surrey, British Columbia; Halton Hills Shopping Plaza, in Georgetown, Ontario; and the Northland Office Building in Calgary, Alberta. It also acquired and subsequently sold a concrete warehouse located in Port Coquitlam, British Columbia and West Willow Shopping Centre, in Langley, British Columbia.

On December 30, 2004, Sunstone (2004) LP acquired 1425 Kebet Way in Port Coquitlam, British Columbia, for a purchase price of \$3,765,187 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a \$2,823,890 new first mortgage on the property in favour of Canadian Western Bank. The property is located in the Meridian Industrial Park in Port Coquitlam, British Columbia and is a 47,693 square feet concrete warehouse that was constructed in 1993, with an overall site area of 2.18 acres. The warehouse has been fully leased since its development and the cash flow from the property met the threshold yield for the preferred return for the Sunstone (2004) LP

investment. On May 6, 2005 Sunstone (2004) LP sold the 1425 Kebet Way property for the sale price of \$4,570,000.

On March 17, 2005, Sunstone (2004) LP acquired West Willow Shopping Centre for a purchase price of \$9,750,000 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a \$7,312,500 new first mortgage on the property in favour of Coast Capital Savings Credit Union. West Willow Shopping Centre is a 70,074 square feet shopping centre located in the Willowbrook shopping district of Langley, British Columbia. The centre is anchored by Hanahreum Mart and has a diversified tenant mix including Baskin Robbins and Mail Boxes Etc. West Willow Shopping Centre is also in close proximity to other big box stores and shopping centres that include Wal-Mart, Home Outfitters, Real Canadian Superstore and Willowbrook Mall which adds to high traffic volumes, and visibility. The Willowbrook area is increasingly becoming a regional town centre, and is considered to have a strong drawing power, bringing traffic from the surrounding areas of White Rock, and South Surrey. On July 28, 2006, Sunstone (2004) LP sold West Willow Shopping Centre for \$14,200,000.

On May 30, 2005, Sunstone (2004) LP acquired Scott Town Plaza for a purchase price of \$8,000,000 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a \$6,000,000 new first mortgage on the property in favour of Coast Capital Savings. Scott Town Plaza is a 56,781 square feet shopping centre located in the district of Surrey, British Columbia, one of the fastest growing cities in Canada. The centre is anchored by Pharmasave and a Buy-Rite Foods grocery store. Scott Town Plaza is in close proximity to other big box stores and shopping centres that include Save-on-Foods and Real Canadian Superstore.

On May 27, 2005, Sunstone (2004) LP acquired Halton Hills Shopping Plaza for a purchase price of \$8,650,000 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a blended \$6,750,000 mortgage on the property in favour of GMAC Commercial Mortgage and vendor financing. Halton Hills Shopping Plaza is a grocery anchored, 70,228 square feet, open neighbourhood centre and is situated in the highly visible and heavily traveled commercial area of Georgetown, Ontario. The centre is anchored by a Food Basics grocery store and is complimented by a high-profile diversified tenant mix including TD Canada Trust, PetValu, Pita Pit and Dollarama. Halton Hills Shopping Plaza is situated directly across the street from Georgetown Market Place, a 300,000 square feet enclosed community scale centre anchored by Zellers, Loblaws and Walmart, which generates higher traffic volumes in the area and increased consumer exposure. Halton Hills is increasingly becoming a regional town centre and is considered to have strong drawing power, bringing traffic from the surrounding areas of both Brampton and Burlington.

On July 15, 2005, Sunstone (2004) LP acquired Drumheller Shopping Centre for a purchase price of \$2,335,000, plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a \$1,751,000 new first mortgage on the property in favour of Canadian Western Bank, bearing an interest rate of 4.79% per annum and maturing in July 2010. Drumheller Shopping Centre is a 10,537 square feet shopping centre located north east of Calgary, in Drumheller, Alberta. The centre has three tenants, A&W restaurants, Alberta Treasury Branches and VHQ Entertainment (Video Headquarters, which was recently acquired by Movie Gallery). Drumheller Shopping 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.

On July 15, 2005, Sunstone (2004) LP acquired Torquay Village Plaza for a purchase price of \$3,350,000 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a blended \$2,525,000 first mortgage on the property in favour of Standard Life and vendor financing. Torquay Village Plaza is a 14,634 square feet, single-storey shopping plaza, located in Victoria, British

Columbia. Its tenants include nationwide companies such as Edward Jones, Dominos Pizza and General Paint.

On October 28, 2005, Sunstone (2004) LP acquired the Northland Building in Calgary, Alberta for a purchase price of \$4,925,000 plus standard closing costs and adjustments. Sunstone (2004) LP funded the acquisition with cash and a \$3,693,750 first mortgage on the property in favour of Citizens Bank of Canada bearing an interest rate of 5.09% per annum and maturing in October, 2010. The Northland Building is a three building office complex, located at 9705 Horton Road SW in Calgary, having a total of 54,581 square feet of rentable area.

Sunstone (2005) LP

SRAI also organized Sunstone (2005) LP, which in October and November, 2005, raised total cash proceeds from its joint offering with SRAI Capital Corp., of \$45,000,000. Sunstone (2005) LP has acquired and currently owns the Westview Office Building, in Calgary Alberta; a single-tenant industrial building in Montreal, Quebec; an undivided 50% interest in Pickering Annex, in Pickering, Ontario; River City Centre, in Saskatoon, Saskatchewan; a portfolio of 10 single-tenant industrial buildings located in the Provinces of British Columbia, Alberta, Ontario and Quebec; Sherwood Forrest Village, in Mississauga, Ontario; Midpark Court office building, in Calgary, Alberta; a single-tenant industrial building in Winnipeg, Manitoba; and an undivided 50% interest in Northumberland Mall, in Cobourg, Ontario. Sunstone (2005) LP has entered into an agreement to sell two of such buildings located in Quebec, which completed on September 6, 2006.

On December 30, 2005, Sunstone (2005) LP acquired the Westview Building for a purchase price of \$3,300,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new first mortgage on the property in favour of Citizens Bank, maturing in May, 2011, having an interest rate of 5.48%. The property is located ten minutes from downtown Calgary, in close proximity to the Calgary International Airport, near the major interchange of Deerfoot Trail and 32nd Avenue NE. It is a 33,512 square feet multi-tenant concrete office building.

On March 6, 2006, Sunstone (2005) LP acquired a single-tenant industrial building located at 1505 Dickson Street, Montreal, Quebec, for a purchase price of \$11,900,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$8,550,000 mortgage on the property in favour of RBC Commercial Mortgages, bearing interest at the rate of 5.677% per annum and maturing in 2016. The building, which is located on an eight acre property, is comprised of 149,085 square feet of warehouse space, 4,695 square feet of office space and 10,904 square feet of retail showroom space, for a total net rentable area of 164,308 square feet. The building is leased under a long term lease to Camco Inc.

On March 29, 2006, Sunstone (2005) LP acquired an undivided 50% joint venture interest in the Pickering Annex in Pickering, Ontario, for a purchase price of \$17,675,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$13,200,000 mortgage in favour of GE Commercial Finance, which matures in 2008 and is structured to permit additional draws for the purpose of funding renovations and repositioning of the property. Pickering Annex is a 237,000 square feet retail shopping centre situated in a strong retail district, and benefits from excellent exposure and access to Highway 401 and Brock Road. Major tenants include Staples Business Depot, Penningtons and Extreme Fitness, and national and local retailers specializing in home décor such as Coast/Interhome Furniture, Amish Furniture and Kitchen Stuff. The property is adjacent to a major regional retail centre with tenants including Wal-Mart, Sam's Club and Canadian Tire.

On March 30, 2006, Sunstone (2005) LP acquired River City Centre, in Saskatoon, Saskatchewan, for a purchase price of \$22,900,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$17,175,000 mortgage in favour of Sun Life Assurance Company of Canada, which bears interest at the rate of 5.35% per annum and matures in 2011. River City Centre is a 160,389 square feet retail shopping centre situated at the north end of Saskatoon. Major tenants include Sears Home Centre, Staples Business Depot and SportMart. Other national and regional tenants include ICI Paints Canada Inc., Scott Parable, Dollarama, Grainfields Restaurant and PartSource.

On March 31, 2006, Sunstone (2005) LP acquired the Team Tube / Encore Metals portfolio of ten single-tenant industrial properties located in: Coquitlam, Delta and Surrey, British Columbia; Calgary, Alberta (three buildings); Edmonton, Alberta; Milton, Ontario; and Laval, Quebec (two buildings). The purchase price for the buildings was \$21,350,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$14,300,000 mortgage in favour of Citizens Bank of Canada, bearing interest at the rate of 5.48% per annum and maturing in 2011. The portfolio comprises an aggregate of 303,742 square feet of rentable premises. Each building is leased to the Encore Metals group. Encore Metals is a supplier of specialty steels, tubing and steel bars. On May 10, 2006, Sunstone (2005) LP entered into an agreement to sell the two buildings in Laval, Quebec, for a sale price of \$2,500,000. The sale completed on September 6, 2006.

On July 4, 2006, Sunstone (2005) LP acquired Sherwood Forrest Village in Mississauga, Ontario, for the purchase price of \$9,550,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$7,000,000 mortgage in favour of bcIMC Fixed Term Fund Limited Partnership bearing interest at the rate of 5.76% per annum and maturing in 2012. Sherwood Forrest Village is located at 1900 Dundas Street West, and comprises a 43,274 square feet community retail centre. The location is close to the major intersection of Erin Mills Parkway and Dundas Street West, just north of the Queen Elizabeth Parkway, and is part of an affluent neighbourhood. Tenants include Starbucks, LCBO Vintages, Edward Jones, and a variety of restaurants, boutique clothing stores and offices.

On July 21, 2006, Sunstone (2005) LP acquired Midpark Court, a 23,334 square feet office building in Calgary, Alberta, for the purchase price of \$3,500,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$2,885,000 mortgage in favour of Citizens Bank of Canada, bearing interest at the rate of 5.97% per annum and maturing in 2011. The property is located in the South Office District of Calgary, on the MacLeod Trail commercial corridor.

On July 28, 2006, Sunstone (2005) LP acquired a single-tenant industrial building located at 333 De Baets Street, Winnipeg, Manitoba for a purchase price of \$2,500,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a new \$1,742,000 mortgage in favour of bcIMC Fixed Term Fund Limited Partnership, bearing interest at the rate of 5.5% per annum and maturing in 2011. The property is located on an approximately three acre parcel in the Saint Boniface Industrial Park and is comprised of approximately 31,500 square feet of rentable area, being approximately 30,000 square feet of warehouse space and 1,500 square feet of offices. The property is leased to the Encore Metals group.

On July 31, 2006, Sunstone (2005) LP acquired a fifty percent joint venture interest in Northumberland Mall, in Cobourg, Ontario, for a purchase price of \$19,075,000 plus standard closing costs and adjustments. Sunstone (2005) LP funded the acquisition with cash and a 50% share of the proceeds from a first mortgage in favour of Merrill Lynch Capital Canada Inc in the aggregate principal amount of \$28,612,500. The mortgage matures in 2007 and is a variable rate mortgage. Northumberland Mall is situated at 1035-1045 and 1111 Elgin Street West, Cobourg, Ontario, in a strong retail district and benefits from convenient access to Highway 401. It is a 349,287 square foot community shopping centre

situated on 31.15 acres, and is anchored by Zellers, Sears and A&P's Save-A-Centre. The remainder of the centre is comprised of national, regional and local tenants including Mark's Work Warehouse, Bootlegger, Boston Pizza and Scotia Bank. The centre is adjacent to Wal-Mart, Canadian Tire and Staples Business Depot stores, which draw customers to the centre.

On September 12, 2006, the joint venture established for the purchase of the Pickering Annex in Pickering, Ontario (see above), acquired a property adjacent to the Pickering Annex for a purchase price of \$4,300,000, of which Sunstone (2005) LP's 50% share was \$2,150,000. The acquisition was funded with cash and an increase of \$3,225,000 (Sunstone (2005) LP's share was \$1,6512,500) in the existing mortgage loan for the property from GE Commercial Finance. The adjacent property acquired by the joint venture comprises a single tenant building of approximately 34,500 square feet, which is leased to DeBoers Furniture.

Experience Prior to Establishing Sunstone

Messrs. Evans and Latoski are also two of the three founders of Churchill Property Group Inc. ("CPGI"), and indirectly collectively own $66\frac{2}{3}\%$ of the outstanding shares of CPGI. CPGI organized Churchill Institutional Real Estate Limited Partnership ("CIRE LP") which raised total cash proceeds from its joint offering with CPG Capital Corp. of \$14,967,500. CIRE LP acquired and subsequently divested Parkway Mall and a 50% interest in Queensway Business Park, both of which are located in Toronto, Ontario.

CIRE LP acquired Parkway Mall on January 22, 2003 for an effective purchase price of \$30,000,000 (before acquisition costs). The property was sold in January 2004 for \$37,800,000. Parkway Mall is a 280,000 square feet enclosed mall situated in a predominantly residential neighbourhood with a mix of single and multi-family homes. It serves as its neighbourhood's main centre for shopping and medical, dental and professional services. As two of the three principals of CPGI, Messrs. Evans and Latoski were instrumental in the identification of Parkway Mall as an opportunity to add value to the property through strategic management, upgrades to the property and certain re-leasing. In addition Evans and Latoski negotiated and managed the sale of the property.

CIRE LP acquired an undivided 50% interest in Queensway Business Park on October 8, 2003 for an effective purchase price of \$11,500,000 (before acquisition costs). The 50% interest in the property was sold March 1, 2004 for \$12,800,000. Queensway Business Park is located within close proximity to Toronto's downtown core and the Lester B. Pearson International Airport. Queensway is an unenclosed business park consisting of 10 industrial/office buildings totalling 334,200 square feet of gross building area and 332,594 of net leasable area. As two of the three principals of CPGI, Messrs. Evans and Latoski were instrumental in the identification of Queensway Business Park as a stable income producing property with the opportunity to increase revenues through pro-active lease management and a small redevelopment. In addition, Messrs. Evans and Latoski negotiated and managed the sale of the property.

Messrs. Evans and Latoski also indirectly own an interest in, and control the management of, the Christina Place / Ocean View Retirement Community in White Rock, British Columbia. This property is comprised of a 72 unit intermediate care facility and an 85 suite independent living retirement community, and was acquired in April, 2002 for \$18,120,000 (including all offering and acquisition costs and a capital reserve for refurbishing the property). A total of \$4,700,850 in cash proceeds was raised by way of an Offering Memorandum for this purchase. The property is held through CIPC (Ocean View) Limited Partnership, a British Columbia limited partnership which was established for the purposes of financing the acquisition of and owning this property.

Personal Profiles

Darren Latoski - As President and indirect 50% owner of the shares in SRAI, Mr. Latoski participated in the negotiation and acquisition of property interests by Sunstone LP totalling \$44,190,000, by Sunstone (2004) LP totalling \$40,775,187, and by Sunstone (2005) LP totalling \$111,750,000, all as detailed above. He continues his active role in the management of the business of SRAI, with a focus on enhancing the value of the assets of Sunstone (2004) LP and Sunstone (2005) LP. As President and the indirect owner of one-third of the shares in CPGI, Mr. Latoski participated in the negotiation and acquisition by CIRE LP of property interests totalling \$41,500,000, as detailed above. He continues an active role in the management of the business of CPGI and CIRE LP.

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 Managing Director and indirect 50% owner of the shares in SRAI, Mr. Evans participated in the negotiation and acquisition of Sunstone LP totalling \$44,190,000, by Sunstone (2004) LP totalling \$40,775,187, and by Sunstone (2005) LP totalling \$111,750,000, all as detailed above. He continues his active role in the management of the business of SRAI, with a focus on enhancing the value of the assets of Sunstone (2004) LP and Sunstone (2005) LP. As Managing Director and the indirect owner of one-third of the shares in CPGI, Mr. Evans participated in the negotiation and acquisition by CIRE LP of property interests totalling \$41,500,000, as detailed above. He continues an active role in the management of the business of CPGI and CIRE LP.

Prior to participating in the formation of CPGI, Mr. Evans was Vice President of England Securities Ltd., a real estate investment, development and management company, from June 1987 to September 2001. 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 totalling 4,500 residential units with an aggregate value in excess of \$280,000,000. Mr. Evans' experience in this regard encompassed assets in the following markets: Dallas, Texas (ten 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 totalling in excess of \$200,000,000.

12.2 Corporate Bankruptcies

Robert King, a director and officer of the Realty Trustee and the Debenture Fund Trustee, served as a director of Redekop Properties Inc. (“RPI”) from March 1997 to June 2001. RPI was formerly listed on the Toronto Stock Exchange. On December 4, 2000, RPI and certain affiliated companies applied for and were granted a protective order under the *Companies’ Creditors Arrangement Act* (Canada). On February 9, 2001, RPI and an affiliated company, applied for, and received a stay order under the *Companies’ Creditors Arrangement Act* (Canada). A monitor was appointed to monitor the business and financial affairs of RPI while the stay order remained in effect.

On March 2, 2001, the British Columbia Supreme Court dismissed an application by RPI and its affiliates for an order entitling RPI to file a plan of arrangement under the *Companies’ Creditors Arrangement Act* (Canada). In dismissing the application, the Court withdrew the protective order previously granted to RPI and its affiliates.

On or about March 5, 2001, Montreal Trust Company of Canada filed a Notice of Intention to Enforce Security against RPI under the *Bankruptcy and Insolvency Act* (Canada). Mr. King resigned from the board of directors of RPI prior to the commencement of proceedings under the *Bankruptcy and Insolvency Act* (Canada).

12.3 Penalties or Sanctions (Directors and Officers)

Robert King, a director and officer of the Realty Trustee and the Debenture Fund Trustee, held common shares in the capital of Prescient Neuropharma Inc. at the time he became a director of that company in December, 2002. Through inadvertence, Mr. King did not file an insider report disclosing such shareholdings. Accordingly, Mr. King was sanctioned by the British Columbia Securities Commission and received a \$100 fine, which has been paid.

12.4 Potential Conflicts of Interest (Directors and Officers)

The General Partner is owned by companies controlled by Steve Evans and Darren Latoski. The General Partner will earn the Incentive Management Interest from the Limited Partnership. As well, pursuant to the General Partner Services Agreement, the General Partner will be receiving various fees and payments from the Limited Partnership in respect of the acquisition and disposition of Properties and will be participating in the profits of the Limited Partnership. All such fees will be paid to the General Partner for its own account and the General Partner will not have any obligation to account to the Limited Partnership or any Limited Partner for any such amounts.

Neither of Steve Evans and Darren Latoski is in any way limited or affected in their ability to carry on other business ventures for their own accounts and for the accounts of others, and are now, and intend in the future to be, engaged in the development of, investment in and management of other real estate properties. None of these persons will have any obligation to account to the Limited Partnership, the Limited Partners, the Realty Trust, the Trust Unitholders, the Debenture Fund or the Fund Unitholders for profits made in such other activities. The Realty Trustee and the Debenture Fund Trustee will engage in no activities other than acting as trustees of the Realty Trust and the Debenture Fund, respectively.

12.5 Insurance Coverage for Directors and Officers and Indemnification

The Limited Partnership will obtain or cause to be obtained a policy of insurance for the Directors and Officers of each of the Realty Trustee, the Debenture Fund Trustee and the General Partner. The initial aggregate limit of liability applicable to the insured Directors and Officers will be \$10,000,000. Under

the policy, each entity will have reimbursement coverage to the extent that it has indemnified the Directors and Officers. The policy will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Realty Trustee, Debenture Fund Trustee or General Partner and their respective Directors and Officers. In addition, the Realty Trustee, Debenture Fund Trustee and General Partner will indemnify its Directors and Officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office.

13. EXECUTIVE COMPENSATION

13.1 Compensation

Realty Trustee

For the period from formation on August 18, 2006 to August 25, 2006, no compensation was paid by the Realty Trustee to any of the following executive officers: Darren Latoski, President; and Robert King, Secretary. The Realty Trustee does not intend to pay any compensation to such executive officers in the future.

Debenture Fund Trustee

For the period from formation on August 18, 2006 to August 25, 2006, no compensation was paid by the Debenture Fund Trustee to any of the following executive officers: Darren Latoski, President; and Robert King, Secretary. The Debenture Fund Trustee does not intend to pay any compensation to such executive officers in the future.

Limited Partnership and the General Partner

The Limited Partnership does not have any executive officers. For the period from formation on August 18, 2006 to August 25, 2006, no compensation was paid by the General Partner to any of the following executive officers: Darren Latoski, President; and Steve Evans, Secretary. The General Partner does not intend to pay any compensation to such executive officers in the future.

13.2 Management Agreements

General Partner Services Agreement

Under the General Partner Services Agreement, the General Partner has agreed to provide the following services to the Limited Partnership, for which it will be paid the fees set out below:

- (a) structure the Limited Partnership and this Offering, structure the ownership of each of the Properties, arrange for the Mortgage Loans in respect of the Properties, and arrange for the provision of any guarantees required in connection with the Mortgage Loans, for which the General Partner will be paid the Financing Fee, in an amount equal to 1.5% of the gross purchase price of each Property (or interest in a Property), plus GST if applicable. The Financing Fee will be paid to the General Partner upon the completion of the purchase of each such Property (or interest in a Property);
- (b) when necessary or advisable, negotiate and complete the sale of a Property on such terms and conditions and at such time as the General Partner may determine, for which the General Partner will be paid a fee upon disposition of each Property equal to 1.5% of the

gross sales price of the Property, plus GST if applicable. The fee payable on the sale of any proportionate interest in a Property held by the Limited Partnership will be proportionate to such interest in the Property;

- (c) oversee and supervise property management of the Properties, establish appropriate legal and accounting systems for the Limited Partnership, report to the Limited Partners on an ongoing basis, liaise with the Lenders of the Mortgage Loans, and provide overall management, financial and business planning, in respect of which the General Partner will be paid an annual asset management fee (payable monthly in arrears) equal to 1.5% of the Net Asset Value, plus GST if applicable; and
- (d) oversee the preparation of this Prospectus, the offering and sale of Units, and the completion of all matters related to the closing of subscriptions on behalf of the Trusts. In addition, the General Partner will be entitled to be reimbursed for any deposits paid and for all out-of-pocket expenses incurred by the General Partner in completing any of the above duties, both in respect of the purchase of a Property or the ongoing ownership, operation and management of a Property.

Administration Agreement

Under the Administration Agreement, the General Partner has agreed to provide to the Realty Trust and the Debenture Fund general administrative services, including:

- (a) establishing and maintaining bank accounts on behalf of the Realty Trust and the Debenture Fund;
- (b) receiving distributions from the Limited Partnership from the investment in LP Units and Debentures and processing cash flow distributions to Unitholders;
- (c) establishing appropriate legal and accounting systems for the proper control of the Realty Trust and Debenture Fund;
- (d) collecting and mailing financial and other reports and all other notices given by the Limited Partnership to Unitholders;
- (e) attending to all arrangements necessary for meetings of the Unitholders;
- (f) responding to all inquiries by Unitholders;
- (g) providing Unitholders with detailed statements for income tax purposes;
- (h) distributing any excess funds;
- (i) ensuring that any regulatory or legislative matters affecting the Realty Trust or Debenture Fund are dealt with in a timely manner;
- (j) preparing annual financial reports on the Property and arrange for an audit of such annual financial reports, together with financial reports;
- (k) performing such other administrative duties as a reasonably prudent administrative manager would provide in the same or comparable circumstances and such other

administrative duties as the Realty Trust and Debenture Fund may reasonably request from time to time.

Under the Administration Agreement, the General Partner will be paid a fee equal to \$10 per annum plus out-of-pocket expenses incurred by the General Partner in completing any of the above duties.

13.3 Long-Term Incentive Plans - Awards

None of the Realty Trust, the Debenture Fund, the Limited Partnership nor the General Partner has a long-term incentive plan and has made no awards under any such plan in the period from the date of its formation to the date of this Prospectus.

13.4 Option/SAR Grants

None of the Realty Trust, the Debenture Fund, the Limited Partnership nor the General Partner has issued or intends to issue options to purchase securities.

13.5 Compensation Committee

None of the Realty Trust, the Debenture Fund, the Limited Partnership nor the General Partner has a compensation committee.

13.6 Indebtedness of Directors and Executive Officers

None of the directors or executive officers of the Realty Trustee, the Fund Trustee, nor the General Partner is indebted to any of the Realty Trustee, the Fund Trustee, nor the General Partner.

14. PLAN OF DISTRIBUTION

14.1 Maximum Offering

SRAI will co-ordinate through the Agents, by this Prospectus, the offer to sell to the public in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island on a continuing basis, up to a maximum of 36,000 Units at a price of \$1,250 per Unit until December 15, 2006. Each Unit consists of one Trust Unit having a price of \$250 and one Fund Unit at a price of \$1,000 per Fund Unit. Units may only be acquired in blocks of ten Units.

14.2 Minimum Offering

There will be no closing unless a minimum of 4,000 Units are sold pursuant to this Offering. 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; if the minimum number of Units are not sold during the 90-day period, these funds will be returned to the subscribers unless the subscribers have otherwise instructed the Agents.

14.3 Agency Agreement

Pursuant to an Agency Agreement made as of August 25, 2006 between the Realty Trust, the Debenture Fund, the Limited Partnership, the General Partner, SRAI and the Agents, the Agents have agreed to offer the Units for sale on a “commercially reasonable best efforts” basis until December 15, 2006 or such later date as may be agreed by the Agents, in consideration of a fee equal to 8% of the purchase price of the Trust Units and the Fund Units.

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.

As a further incentive to the Agents or sub-agents, the General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. Agents may assign all or part of their entitlements to sub-agents effecting sales of Units, such assignment to be made on a basis determined by the General Partner. As well, the General Partner has agreed to pay to the Agents, on an annual basis in arrears, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the General Partner Services Agreement. However, such trailer fee will only be paid by the General Partner to the Agents, if it is collected by the General Partner. The Agents may assign all or part of the trailer fee to sub-agents effecting sales of Units.

The Issuers and SRAI have also agreed to bear all expenses of or incidental to the issue, sale and delivery of the Units, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents. The Limited Partnership will bear all of these expenses pursuant to the Cost Sharing and Recovery Agreement.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Lead Agent’s discretion 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.

The Issuers have granted the Lead Agent a right of first refusal to provide future equity financing to the Issuers for a period of 12 months from the final closing date of the sale of the Units.

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

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 Trust Units and Fund Units was determined by negotiation between the Lead Agent, the Realty Trust and the Debenture Fund. No third-party valuation was obtained.

Registration and transfers of Trust Units and Fund Units will be effected only through the book entry only system administered by The Canadian Depository for Securities Limited (“CDS”). A book entry only certificate representing the Trust Units and the Fund 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 Trust Units and Fund Units will not have the right to receive physical certificates evidencing their ownership of such securities.

Registration and transfers of LP Units and Debentures will be effected by the General Partner as transfer agent in accordance with the terms of the Limited Partnership Agreement and the Debenture Indenture.

14.4 Potential Agent Conflict

SRAI is a connected issuer of Sora Group Wealth Advisors Inc. as defined by National Instrument 33-105 – *Underwriting Conflicts*. Messrs. Evans and Latoski hold through their personal holding companies, Triple E Ventures Inc. and Darren Developments Inc., a non-controlling interest of Class A Voting shares in SGWA.

15. CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

KPMG LLP (“KPMG”) has prepared the following summary of the principal Canadian federal income tax considerations generally applicable to holders of Unitholders, LP Unitholders and Debentureholders who acquire, hold or dispose of Trust Units, Fund Units, LP Units and/or Debentures acquired pursuant to this Offering and who, for purposes of the Income Tax Act (Canada) (the “Tax Act”) and at all relevant times, are resident in Canada, deal at arm’s length and are not affiliated with the Realty Trust, with the Debenture Fund or with the Limited Partnership and hold the Trust Units, Fund Units, LP Units and/or Debentures, as the case may be, as capital property. Generally, Trust Units, Fund Units, LP Units and Debentures will be considered to be capital property to a Unitholder, LP Unitholder or Debentureholder, as the case may be, 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 in the nature of trade.

This summary is not applicable to a Unitholder, LP Unitholder or Debentureholder that is a trust (except a trust governed by a Plan), a partnership, a financial institution (as defined in the Tax Act for purposes of the “mark-to-market” rules), a “specified financial institution”, or a Unitholder, LP Unitholder or Debentureholder an interest in which is a “tax shelter investment” (both as defined in the Tax Act). This summary does not address the tax considerations of a Unitholder, LP Unitholder or Debentureholder borrowing money to acquire Units, Trust Units, Fund Units, LP Units and/or Debentures. All such Unitholders, LP Unitholders and Debentureholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Trust Units, Fund Units, LP Units and/or Debentures acquired pursuant to this Offering.

This summary is based on the facts set out in this Prospectus and on representations received from the Trusts, the General Partner, SRAI, and certain other persons as to certain factual matters and attributes of the Trust Units, Fund Units, Debentures, and LP Units. This summary is also based upon KPMG’s understanding of the provisions of the Tax Act and the regulations (the “Regulations”) thereunder in force as of the date hereof and of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”). This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) 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 the CRA will not change its administrative 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, will 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 is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Trust Units, Fund Units LP Units and Debentures. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust Units, Fund Units, LP Units and Debentures will vary depending on the particular circumstances applicable to each holder thereof, including, the province(s) or territory(ies) in which such holder resides, carries on business or has a permanent establishment, whether the Trust Units, Fund Units, LP Units and Debentures acquired by such holder will be characterized as capital property, whether such holder is an individual, Plan or corporation, and the nature and amount of such holder's income from other sources. 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, LP Units and Debentures. The Issuers have 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 Trust Units, Fund Units, LP Units and Debentures based on their particular circumstances.

Tax Status of the Trusts

This summary is based on the assumption that the Trusts will both qualify as "unit trusts" and "mutual fund trusts" as defined in the Tax Act on completion of the Offering of Units hereunder, and will both thereafter continuously qualify as unit trusts and mutual fund trusts at all relevant times. This summary assumes that the Trusts will both elect to be deemed to be mutual fund trusts from the date each is established. This summary also assumes that the Trusts are not established or maintained primarily for the benefit of non-residents of Canada. If either Trust does not qualify or ceases to qualify as a mutual fund trust, the income tax considerations described below would be materially different.

To qualify as mutual fund trusts at any particular time: (i) the Trusts must be "unit trusts" (as defined in the Tax Act) resident in Canada; (ii) the Trusts must not reasonably be considered to be established or maintained primarily for the benefit of non-residents of Canada; (iii) the Trust Units and Fund Units must have conditions requiring the Realty Trust and the Debenture Fund, respectively, to accept at the demand of a Unitholder and at prices determined and payable in accordance with the conditions, the surrender of the Trust Units and Fund Units that are fully paid; (iv) the only undertaking of the Trusts must be limited to the investing of funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) or of any immovable (or real right in immovables) that is capital property of the trust, or any combination of such activities; and (v) each of the Trusts must comply with certain prescribed requirements in connection with the number of Unitholders, the dispersal of ownership of Trust Units and Fund Units and the distribution of the Trust Units and Fund Units to the public (the "minimum distribution requirements"). In connection with the minimum distribution requirements, the Trust Units and Fund Units must be qualified for distribution to the public and at all relevant times there must be no fewer than 150 beneficiaries of each of the Realty Trust and of the Debenture Fund, each of whom holds at least one block of Trust Units and Fund Units, as the case may be, having an aggregate fair market value of not less than \$500 each. For these purposes, a block of units means 100 units if the fair market value is less than \$25 per unit, 10 units if the fair market value is \$100 or more per unit, and 25 units in any other case.

With regards to the above conditions required to qualify as a mutual fund trust, the Trusts and SRAI have represented and this summary assumes that: (i) the Trusts will qualify as unit trusts resident in Canada

throughout their existence; (ii) the Trusts have not been established and will not be maintained primarily for the benefit of non-residents of Canada; (iii) the Trust Units and the Fund Units are redeemable at the demand of their holders at prices determined and payable in accordance with the terms of the Trust Units and Fund Units; (iv) the only undertaking of the Trusts will be restricted to the investing of funds in property (other than real property or immovable property) or to the acquiring, holding, maintaining, improving, leasing or managing of real property and immovable property, or any combination thereof; and (v) the Trusts will comply with the minimum distribution requirements in respect of their Units at all material times. With regards to the minimum distribution requirements, the Trusts and SRAI have represented, and this summary assumes, that even if only the minimum offering of Units is achieved under this Offering, the Realty Trust and the Debenture Fund will each have at least 150 beneficiaries each of whom would hold at least one block of Trust Units and of Fund Units, each such block having an aggregate fair market value of not less than \$500.

This summary assumes that both of the Trusts will satisfy the minimum distribution requirements on the completion of this Offering, that they will both elect under the Tax Act to be deemed to be a mutual fund trust retroactively from the date they were established, and that they will continuously satisfy the minimum distribution requirement thereafter. KPMG can provide no assurances in this regard. If either Trust does not qualify or ceases to qualify as a mutual fund trust, the income tax considerations would be materially different from those described in this summary, and in particular the following adverse income tax consequences would arise:

- The Trust Units and / or Fund Units, as the case may be, would not be or would cease to be qualified investments for Plans, with the result that a Plan may become subject to a penalty tax, the beneficiary or 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.
- The Realty Trust and / or the Debenture Fund, as the case may be, may be required to pay a tax under Part XII.2 of the Act, and depending on the circumstances may become subject to “alternative minimum tax” under Part I of the Act.
- The Realty Trust and / or the Debenture Fund would cease to be eligible for the capital gains refund mechanism available to mutual fund trusts. This mechanism is summarized under “*Taxation of the Trusts*”.
- The payment of Part XII.2 tax or “alternative minimum tax”, or a Trust’s inability to use the capital gains refund mechanism, would reduce the amount of cash available for distribution by such Trust and may otherwise adversely affect Unitholders.

On September 8, 2005, the Department of Finance released a consultation paper on tax and other issues related to publicly listed flow-through entities such as limited partnerships, trusts, mutual fund trusts and income trusts and invited interested parties to make submissions prior to December 31, 2005. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of flow-through entities. Instead, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion that proposes to enhance the dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. This Notice of Ways and Means Motion was reintroduced as part of the May 2, 2006 Federal Budget, in respect of which draft legislation was released on June 29, 2006 to implement the measures.

Tax Considerations for Plans: Qualified Investments and Restrictions on Investment

Provided that the Trusts qualify as mutual fund trusts at a particular time, the Trust Units and the Fund Units will be “qualified investments” (as defined in the Tax Act and the Regulations) at that time for trusts governed by Plans. Accordingly, Plans should generally not be taxable on any distributions from the Trusts or any gains realized on the disposition of Trust Units and Fund Units. However, funds withdrawn from a Plan will generally be taxable to annuitants in the year of withdrawal.

Generally, if either Trust does not qualify or ceases to qualify as a mutual fund trust at any time, the Trust Units or Fund Units, as the case may be, will not be, or will cease to be, qualified investments for Plans at that time. LP Units received as a result of redemptions of Trust Units, and Debentures received as a result of redemptions of Fund Units, may not be qualified investments for Plans. Where a Plan acquires an LP Unit or Debenture that is not a qualified investment, or acquires or holds a Trust Unit or Fund Unit that is not, or that ceases to be, a qualified investment, adverse tax consequences may arise to the Plan and the annuitant under the Plan, including that the Plan 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. **Accordingly, Plans that propose to invest in Trust Units or Fund 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.**

Where both a Plan and an annuitant of the Plan (or a person not dealing at arm’s length to the Plan or annuitant) acquire Trust Units or Fund Units and the amount paid by the Plan to acquire Trust Units or Fund Units is different than their fair market values, depending on the circumstances the CRA may consider the annuitant to have received a benefit or advantage out of or under the Plan or to have made a contribution to the Plan (which could cause adverse consequences such as amounts being taxable to the annuitant, special taxes being imposed, or certain Plans being deregistered). The Trusts and SRAI have represented that the subscription price to be paid by a Plan for a Unit is equal to the fair market value thereof and that the allocation of the subscription price for a Unit between the price to the public for Trust Units and the price to the public for Fund Units has been made on a reasonable basis and was determined by negotiation among the Trusts and the Lead Agent. This allocation must be reasonable to avoid the aforementioned adverse consequences, and the results of that negotiation are not binding on the CRA. KPMG can provide no assurances in this regard.

Taxation of the Trusts

Debenture Fund

The taxation year of the Debenture Fund is the calendar year. In each taxation year, the Debenture Fund will be subject to tax under Part I of the Act on its income for tax purposes 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 Fund Unitholders. An amount will be considered to be payable to a Fund Unitholder in a taxation year if it is paid to the Fund Unitholder in the year by the Debenture Fund or if the Fund Unitholder is entitled in that year to enforce payment of the amount.

The Debenture Fund must include in its income for each taxation year all interest on the Debentures that accrues to the Debenture Fund to the end of the year, or that 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 year. The Debenture Fund will not be subject to tax on any amount received as a repayment of principal in respect of the Debentures.

In computing its income, the Debenture Fund may generally deduct reasonable administrative costs (including fees payable pursuant to the Administration Agreement), interest and other expenses of a current nature, if any, incurred by it for the purpose of earning income. The Debenture Fund will be entitled to deduct expenses incurred by it in connection with this Offering on a five-year straight line basis (subject to pro-ration for short taxation years), to the extent such expenses have not been borne or reimbursed by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement in connection with the issuance of the Debentures.

A distribution by the Debenture Fund of its property (including any distribution in specie of Debentures) upon redemption of Fund Units will be, for tax purposes, treated as a disposition by the Debenture Fund of the property so distributed for proceeds of disposition equal to its fair market value. The Debenture Fund's proceeds of disposition of Debentures will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included for tax purposes in the Debenture Fund's income in the year of disposition to the extent that it was not included in the Debenture Fund's income in a previous year. The Debenture Fund will realize a capital gain (or a capital loss) on the property so distributed to the extent that the proceeds of disposition of such property exceed (or are less than) the adjusted cost base of the property and any reasonable costs of disposition. The Debenture Fund has represented that it will designate for tax purposes any such income or capital gain as being paid to the redeeming Fund Unitholder, with the result that the taxable portion of such gains and income will be deductible by the Debenture Fund.

Under the Debenture Fund Declaration, an amount equal to:

- all of the income (including taxable capital gains) of the Debenture 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 Debenture Fund, less
- capital gains arising in connection with a distribution in specie of Debentures on the redemption of Fund Units which are designated by the Debenture Fund in favour of redeeming Fund Unitholders described in the preceding paragraph, and capital gains the tax on which may be offset by capital losses, if any, carried forward from prior years or is recoverable by the Debenture Fund,

will be payable in the year to Fund Unitholders by way of cash distributions, subject to the exceptions described below.

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

Losses incurred by the Debenture Fund in a particular taxation year cannot be allocated to Fund Unitholders, but may be deducted by the Debenture 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 Debenture Fund in accordance with, and subject to, applicable provisions of the Tax Act.

The Debenture 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 Fund 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 Debenture Fund’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Fund Units. The Debenture Fund Declaration provides that all or a portion of any income or taxable capital gain realized by the Debenture Fund as a result of that redemption may, at the discretion of the Debenture Fund Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Fund Unitholders, and thus deductible by the Debenture Fund in computing its income. In addition, accrued interest on Debentures distributed to a redeeming Fund Unitholder may be treated as an amount paid to the Fund Unitholder and will be deductible by the Debenture Fund.

The Debenture Fund has represented that it currently intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Debenture Fund will generally not be liable in that year for income tax under Part I of the Tax Act. KPMG can provide no assurances in this regard.

Realty Trust

The taxation year of the Realty Trust is the calendar year. In each taxation year, the Realty Trust will be subject to tax under Part I of the Tax Act on its income for tax purposes 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 Trust Unitholders. An amount will be considered to be payable to a Trust Unitholder in a taxation year if it is paid to the Trust Unitholder in the year by the Realty Trust or if the Trust Unitholder is entitled in that year to enforce payment of the amount.

The Realty Trust must include in its income for each taxation year its allocated share of the income or loss of the Limited Partnership for the fiscal period of the Limited Partnership ending on or before the year end of the Realty Trust. The Realty Trust’s ability to deduct any losses allocated to it by the Limited Partnership will be limited by certain rules under the Tax Act. The Realty Trust may also realize a capital gain or loss on the disposition or deemed disposition of LP Units (including from any distribution in specie of LP Units) or upon the allocation of a capital gain or loss from the Limited Partnership, as described below under “Taxation of the Limited Partnership”. Also as described under “Taxation of the Limited Partnership” below, cash flow distributed by the Limited Partnership to the Realty Trust will be generally received free from tax, except to the extent that such distributions reduce the adjusted cost base of the LP Units held by the Realty Trust to a negative amount at the end of a fiscal year of the Limited Partnership.

In computing its income, the Realty Trust may generally deduct reasonable administrative costs (including fees payable pursuant to the Administration Agreement), interest and other expenses of a current nature, if any, incurred by it for the purpose of earning income. The Realty Trust will be entitled to deduct expenses incurred by it in connection with this Offering on a five-year straight line basis (subject to pro-ration for short taxation years), to the extent such expenses have not been borne or reimbursed by the Limited Partnership pursuant to the Cost Sharing and Recovery Agreement in connection with the issuance of LP Units.

A distribution by the Realty Trust of its property (including any distribution in specie of LP Units) upon redemption of Trust Units will be, for tax purposes, treated as a disposition by the Realty Trust of the property so distributed for proceeds of disposition equal to its fair market value. The Realty Trust will realize a capital gain (or a capital loss) on the property so distributed to the extent that the proceeds of

disposition of such property exceed (or are less than) the adjusted cost base of the property and any reasonable costs of disposition. The Realty Trust has represented that it will designate for tax purposes any such income or capital gain as being paid to the redeeming Trust Unitholder, with the result that the taxable portion of such gains and income will be deductible by the Realty Trust.

Under the Realty Trust Declaration, an amount equal to:

- all of the income (including taxable capital gains) of the Realty Trust (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 Realty Trust, less
- capital gains arising in connection with a distribution in specie of LP Units on the redemption of Trust Units which are designated by the Realty Trust in favour of redeeming Trust Unitholders described in the preceding paragraph, and capital gains the tax on which may be offset by capital losses, if any, carried forward from prior years or is recoverable by the Realty Trust,

will be payable in the year to Trust Unitholders by way of cash distributions, subject to the exceptions described below.

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

Losses incurred by the Realty Trust in a particular taxation year cannot be allocated to Trust Unitholders, but may be deducted by the Realty Trust, 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 Realty Trust in accordance with, and subject to, applicable provisions of the Tax Act.

The Realty Trust 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 Trust 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 Realty Trust's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Trust Units. The Realty Trust Declaration provides that all or a portion of any income or taxable capital gain realized by the Realty Trust as a result of that redemption may, at the discretion of the Realty Trust Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Trust Unitholders, and thus deductible by the Realty Trust in computing its income.

The Realty Trust has represented that it currently intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Realty Trust will generally not be liable in that year for income tax under Part I of the Tax Act. KPMG can provide no assurances in this regard.

Part XII.2 of the Tax Act provides for a special tax on the “designated income” (including income from Canadian real property) of certain trusts which have “designated beneficiaries” (including non-resident persons and certain tax-exempt persons). This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided the Realty Trust qualifies as a mutual fund trust throughout a taxation year, it will not be subject to the special Part XII.2 tax for such taxation year.

The Tax Act also 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 will be increased by, among other things, any losses allocated from the Limited Partnership, any interest expense and financing costs otherwise deductible in respect of the acquisition of LP Units, a specified portion of the otherwise non-taxable half of capital gains, and certain losses carried forward from prior taxation years. This special alternative minimum tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided the Realty Trust qualifies as a mutual fund trust throughout a taxation year, it will not be subject to alternative minimum tax for such taxation year.

Taxation of the Limited Partnership

The Limited Partnership is not subject to tax under the Tax Act. Each partner of the Limited Partnership, including the Realty Trust, is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of the Limited Partnership for its fiscal year ending in, or coincidentally with, the partner’s taxation year end, whether or not any of that income is distributed to the partner 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 were a separate person resident in Canada, and will be required to be allocated to partners on the basis of their respective share of that income or loss as provided for in the Limited Partnership Agreement, subject to certain provisions in the Tax Act in that regard.

Generally, cash distributions to a limited partner, including the Realty Trust, in excess of the limited partner’s share of the Limited Partnership’s income and capital gains for a fiscal year will be treated for tax purposes as a return of capital, which is not required to be included in the limited partner’s income but will reduce the limited partner’s adjusted cost base of its LP Units. If, as a result, the limited partner’s adjusted cost base of its LP Units at the end of a fiscal year of the Limited Partnership would otherwise be a negative amount, the limited partner will be deemed to realize a capital gain equal to such amount, and its adjusted cost base of its LP Units will be nil immediately thereafter. Where a limited partner has realized a capital gain resulting from a “negative” adjusted cost base in respect of LP Units, the limited partner may generally elect at the end of a subsequent fiscal year end of the Limited Partnership to treat as a capital loss an amount equal to the lesser of the capital gain previously included in the limited partner’s income (by reason of the negative adjusted cost base) and the limited partner’s positive adjusted cost base of the LP Units at that time.

If the Limited Partnership does incur losses for tax purposes, a limited partner, including the Realty Trust, will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that the Realty Trust’s investment is “at risk” within the meaning of the Tax Act and subject to the proposed “reasonable expectation of profit” rules (discussed below). In general, the amount “at risk” for a limited partner in a limited partnership for any taxation year will be the adjusted cost base of the limited partner’s partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm’s length) to the limited partnership (or a person with whom it does not deal at arm’s length) and less the amount of any benefit that the limited partner (or a

person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

The income for purposes of the Tax Act of the Limited Partnership must include its income realized from the rental of its Properties, any taxable capital gains or recapture of capital cost allowance arising from dispositions of Properties that are capital property, as explained more fully below, and the entire amount of any gains from dispositions of Properties that are inventory held for resale or otherwise not capital property of the Limited Partnership. In computing its income or loss, the Limited Partnership may generally deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to applicable provisions of the Tax Act. The asset management fee payable by the Limited Partnership to the General Partner pursuant to the General Partner Services Agreement should be deductible in each year by the Limited Partnership to the extent that the fee is reasonable and is not allocable to the cost of the Properties.

In computing its income or loss the Limited Partnership may generally deduct a reasonable amount of interest paid in the year or payable in respect of the year pursuant to a legal obligation to pay interest on borrowed money used, and on amounts payable for property acquired, for the purpose of earning income from a business or property, including pursuant to the obligations to pay interest to the Debenture Fund in respect of the Debentures and to the Lenders in respect of the Mortgage Loans. Compound interest is deductible when paid. The Tax Act limits the deduction of interest expense and property taxes incurred in connection with vacant land and of interest expense and other soft costs attributable to the period of construction, renovation or alteration of a building.

The Limited Partnership may also deduct any expenses incurred by it in the course of the issuance of Debentures and LP Units, on a five-year straight line basis (subject to pro-ration for short taxation years). Such expenses may include agents' commissions, agents' fees and expenses, and other expenses incurred pursuant to the Cost Sharing and Recovery Agreement by the Limited Partnership in the course of issuing Debentures and LP Units in connection with the transactions contemplated by this Offering. Such expenses may also include the Financing Fee payable by the Limited Partnership to the General Partner pursuant to the General Partner Services Agreement, to the extent that the fee is reasonable and is not allocated to the cost of the Properties.

Three quarters of the cost of the initial organization of the Limited Partnership are deductible at 7% per year on a declining balance basis as "eligible capital expenditures" as defined in the Tax Act.

This summary assumes that the Limited Partnership will hold its interest in the Properties as capital property and accordingly, in computing the income or loss of the Limited Partnership, deductions may also be claimed in respect of "capital cost allowance" to the extent permitted under the Tax Act and the Regulations. Such deductions may not exceed the net income of the Limited Partnership from the operation of the Properties. Further, the deductions in respect of a Property will be restricted in the Limited Partnership's fiscal period in which the Property is acquired to one-half of the amount otherwise allowable (and will be subject to pro-ration for short taxation years). Subject to such restrictions, annual deductions will be allowed on a declining balance basis at a rate of 4% per annum on the "undepreciated capital cost" (generally, initial capital cost less prior capital cost allowance deductions) of each class of property which includes the buildings and their component parts, and at other rates applicable to the other classes of depreciable property. No deduction may be claimed in respect of the cost of the land. For the purposes of determining the annual permitted deductions, the Limited Partnership must allocate the acquisition cost of the Property among the land, buildings, and other depreciable assets. Each building with a cost of \$50,000 or more will be deemed for tax purposes to comprise a separate class of property. There is no assurance that the CRA will agree with the allocation and any reallocation of the acquisition

cost of a Property imposed by the CRA may affect the capital cost allowance deductions claimable by the Limited Partnership.

Any amount paid by the Limited Partnership on account of refurbishments must be allocated on a reasonable basis among the items included in the refurbishments. Amounts allocated to landscaping and to repairs and maintenance should generally be deductible in the year the expenses are incurred provided that they are reasonable. Amounts, if any, allocated to the acquisition and installation of capital assets must generally be added to the undepreciated capital cost of the class of property to which the assets belong. There is no assurance that the CRA will agree with the allocation and any reallocation imposed by the CRA may affect the deductions available to the Limited Partnership.

On the sale or other disposition of all or some of the Properties, the Limited Partnership must allocate the net proceeds of disposition (gross proceeds less costs of disposition including the Disposition Fee payable to the General Partner pursuant to the General Partner Services Agreement) on a reasonable basis among each separate asset which comprises the property sold. A capital gain will be realized on the amount by which the net proceeds of disposition allocated to a particular depreciable property exceed the capital cost of that property. No capital loss can be realized on depreciable property. A capital gain (or capital loss) will be realized on the amount by which the net proceeds of disposition allocated to a non-depreciable capital property exceed (or are less than) its adjusted cost base. The allocation of net proceeds of disposition between depreciable and non-depreciable capital properties is not binding on the CRA, and there is no assurance that the CRA will agree that such allocation is reasonable. Any reallocation imposed by the CRA may affect adversely the income tax liability arising on a disposition of Properties.

On the sale or other disposition of all or some of the Properties by the Limited Partnership that are depreciable properties for tax purposes, the lesser of the proceeds of disposition allocable to a particular class of depreciable capital property, and the original cost of the property is deducted from the balance of the undepreciated capital cost of the respective class. If at the end of the taxation year of the Limited Partnership the balance of any class is negative, the balance is included in the income of the Limited Partnership resulting in a recapture of prior capital cost allowance deductions. Where the Limited Partnership has disposed of the last property of a particular class and, at the end of the year, the balance of the undepreciated capital cost of the class is positive, the Limited Partnership may be entitled to deduct the remaining positive balance in computing its income as a terminal loss. However, if the disposition of real estate results in a capital gain on the land and a terminal loss on the building, the Tax Act will reallocate the net proceeds between the land and the building so as to reduce the terminal loss on the building and the capital gain on the land by the lesser of the amount of the capital gain and the terminal loss.

Upon the dissolution or termination of the Limited Partnership, all property of the Limited Partnership that is distributed to the Limited Partners will be deemed to have been disposed of by the Limited Partnership at that time at its fair market value and acquired by the Limited Partners at a cost equal to the same amount. Each Limited Partner will also be deemed to have disposed of his LP Units at that time for proceeds of disposition equal to the amount of money plus the fair market value of other property, if any, received from the Limited Partnership in satisfaction of his LP Units.

On October 31, 2003, the Department of Finance (Canada) released proposed amendments to the Tax Act that would require, for taxation years commencing after 2004, there be a "reasonable expectation of cumulative profit" from a business or property in order for a taxpayer to deduct any loss incurred from such business or property, including losses allocated by the Limited Partnership and interest paid on funds borrowed to acquire the LP Units, and that, for the purposes of this determination, profit does not include capital gains. If a loss is denied by virtue of these proposed rules, there is no provision to claim the loss in a future year. In the February 23, 2005 Federal Budget, the Department of Finance (Canada)

announced that an alternative proposal to replace the October 31, 2003 proposed amendments would be released for comment at an early opportunity. There can be no assurance that any proposed legislation will not have an adverse effect on the deductibility by the Limited Partnership of certain expenses that would otherwise be deductible.

Taxation of Unitholders

For Unitholders which are Plans, the paragraphs which follow under “Taxation of Unitholders” are qualified by the summary under “Tax Considerations for Plans: Qualified Investments and Restrictions on Investment” above.

Trust Distributions

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

Income of a Unitholder from the Trust Units and from the Fund Units will generally be considered income from property for the purposes of the Tax Act. It is expected that a portion of the income received or receivable by a Unitholder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) from the Realty Trust or from the Debenture Fund (including income designated as taxable capital gains, but excluding income derived from the Realty Trust’s allocable share of business income of the Limited Partnership) will be considered investment income for the purposes of the additional refundable tax of 6 $\frac{2}{3}$ % payable by such corporation.

The non-taxable portion of any net realized capital gains of the Realty Trust or of the Debenture Fund that is paid or payable to a Unitholder in a taxation year will not be required to be included in computing the Unitholder’s income for the year and should not reduce the adjusted cost base of Trust Units or Fund Units held by the such Unitholder. Any other amount paid or payable by the Trust or by the Fund in that year that is in excess of the respective Trust’s net income for that year will not generally be required to be included in the Unitholder’s income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Trust Units or of Fund Units), the Unitholder will be required to reduce the adjusted cost base of the Trust Units and / or of the Fund Units, as the case may be, by that amount. To the extent that the adjusted cost base of a Trust Unit or of a Fund Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Trust Unit or of the Fund Unit, as the case may be, to the Unitholder will immediately thereafter be nil. The taxation of capital gains is described below.

Dispositions of Units

On the disposition or deemed disposition of a particular Trust Unit or a Fund Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such particular Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Realty Trust or the Debenture Fund that is otherwise required to be included in the Unitholder’s income, including any capital gain realized by the Realty Trust or by the Debenture Fund in connection with a redemption which has been designated by the Realty Trust or the

Debenture Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The Trusts and SRAI have represented that the allocation of the subscription price for a Unit between the price to the public for Trust Units and the price to the public for Fund Units has been made on a reasonable basis and was determined by negotiation among the Trusts and the Lead Agent. There is no assurance that the CRA will agree with the allocation and any reallocation imposed by the CRA may affect the their tax positions and those of Unitholders. KPMG can give no assurances in this regard. Provided that the allocation of the subscription price between the Trust Units and the Fund Units is reasonable, the cost to a Unitholder for income tax purposes of each Trust Unit and of each Fund Unit acquired pursuant to this Offering will be equal to the price to the public for each such unit as set out in this Offering. The cost to a Unitholder of additional Trust Units or of additional Fund Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those respective units. For the purpose of determining the adjusted cost base to a Trust Unitholder of Trust Units, when a Trust Unit is acquired, the cost of the newly acquired Trust Unit must be averaged with the adjusted cost base of all of the Trust Units owned by the Trust Unitholder as capital property immediately before that acquisition. Similarly, for the purpose of determining the adjusted cost base to a Fund Unitholder of Fund Units, when a Fund Unit is acquired, the cost of the newly acquired Fund Unit must be averaged with the adjusted cost base of all of the Fund Units owned by the Fund 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 Trust Unit or on a Fund Unit will generally reduce the adjusted cost base of the respective unit.

Where Fund Units are redeemed and the redemption price is paid by the delivery of Debentures to the redeeming Fund Unitholder, the proceeds of disposition to the Fund Unitholder of the Fund Units will be equal to the fair market value of the Debentures so distributed less any income or capital gain realized by the Debenture Fund in connection with the redemption of those Fund Units which has been designated by the Debenture Fund to the Fund Unitholder. Where any income or capital gain realized by the Debenture Fund in connection with the distribution of Debentures on the redemption of Fund Units has been designated by the Debenture Fund to a redeeming Fund Unitholder, the Fund Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The redeeming Fund Unitholder will be required to include in income, interest on any Debentures acquired (including interest that accrued prior to the date of the acquisition of such Debentures by the Fund Unitholder that is designated as income to the Fund Unitholder by the Debenture Fund) in accordance with the provisions of the Tax Act. The cost of any Debentures distributed by the Debenture Fund to a Fund Unitholder upon a redemption of Fund Units will be equal to the fair market value of those Debentures at the time of the distribution less any accrued interest on such Debentures. The Fund Unitholder will thereafter be required to include in income interest on the Debentures, in accordance with the provisions of the Tax Act. To the extent that the Fund Unitholder is required to include in income any interest accrued to the date of the acquisition of Debentures by the Fund Unitholder, an offsetting deduction may be available. Fund Unitholders are advised to consult their own tax advisers prior to exercising their redemption rights.

Where Trust Units are redeemed and the redemption price is paid by the delivery of LP Units to the redeeming Trust Unitholder, the proceeds of disposition to the Trust Unitholder of the Trust Units will be equal to the fair market value of the LP Units so distributed less any income or capital gain realized by the Realty Trust in connection with the redemption of those Trust Units which has been designated by the Realty Trust to the Trust Unitholder. Where any income or capital gain realized by the Realty Trust in connection with the distribution of LP Units on the redemption of Trust Units has been designated by the Realty Trust to a redeeming Trust Unitholder, the Trust Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any LP Units distributed by the Realty Trust to a Trust Unitholder upon a redemption of Trust Units will be equal to the fair market

value of those LP Units at the time of the distribution. The Limited Partnership Agreement provides that where the Realty Trust distributes LP Units to a redeeming Trust Unitholder in any particular year, that income or loss of the Limited Partnership for tax purposes for that year will be allocated (subject to the detailed rules in the Tax Act in that regard) to persons that held LP Units at any time in that taxation year (including the Realty Trust and the redeeming Trust Unitholder) in the same proportion as the distributions or entitlements to distributable cash of those persons for that particular year. Accordingly, a redeeming Trust Unitholder receiving LP Units on a distribution in specie will be required to include in income the Trust Unitholder's allocable share of income of the Limited Partnership for tax purposes for the year that includes the redemption, and the Trust Unitholder's allocable share of income or loss of the Limited Partnership for all years during which the Trust Unitholder holds the LP Units, in accordance with the provisions of the Limited Partnership Agreement and the detailed rules of in the Tax Act in that regard. Trust Unitholders are advised to consult their own tax advisers prior to exercising their redemption rights.

A consolidation of Fund Units of the Debenture Fund or of Trust Units of the Realty Trust will generally not be considered to result in a disposition of Fund Units or of Trust Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Fund Units of the Debenture Fund, or of all of the Unitholder's Trust Units of the Realty Trust, should not change as a result of a consolidation of Fund Units or of Trust Units, respectively; however, the respective adjusted cost base per Fund Unit or per Trust Unit, as the case may be, will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Trust Units or Fund Units and the amount of any net taxable capital gains designated by the Realty Trust or by the Debenture 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 Realty Trust or by the Debenture Fund, as the case may be. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Trust Units or Fund Units generally may be deducted only from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

A Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) will also be liable for a refundable tax of 6 $\frac{2}{3}$ % computed with reference to its "aggregate investment income" (as defined in the Tax Act) for the year, which includes amounts in respect of taxable capital gains.

Alternative Minimum Tax

As discussed above under "Taxation of the Trusts – Realty Trust", 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 capital gains realized by such Unitholder on the disposition of Trust Units or of Fund Units and by any net income of the Realty Trust or of the Debenture Fund that is paid or payable to such Unitholder and that has been designated as a taxable capital gain.

Taxation of LP Unitholders

Qualified Investment

LP Units received as a result of redemptions of Trust Units may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan. Accordingly, Plans that propose to invest in Trust Units should consult their own tax advisors before deciding to purchase those units and again before deciding to exercise the redemption rights attached to such units. See the discussion under “Tax Considerations for Plans: Qualified Investments and Restrictions on Investment” above for further details.

Income or Loss from LP Units

LP Unitholders are required to include in computing their income for a particular taxation year their allocated share of the income or loss of the Limited Partnership for its fiscal year ending in, or coinciding with, the LP Unitholder’s taxation year end, whether or not any of that income is distributed to the LP Unitholder 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 were a separate person resident in Canada. The LP Unitholder’s ability to deduct any losses allocated to it by the Limited Partnership will be limited by certain rules under the Tax Act, as discussed below.

The income or loss of the Limited Partnership for a fiscal year will be required to be allocated to the LP Unitholders on the basis of their respective share of that income or loss as provided in the Limited Partnership Agreement and subject to certain provisions in the Tax Act in that regard. The Limited Partnership Agreement provides that where an LP Unitholder disposes of an LP Unit in any particular year, the income or loss of the Limited Partnership for tax purposes for that year will be allocated to persons that held LP Units at any time in that taxation year in the same proportion as the distributions or entitlements to distributable cash of those persons for that particular year.

Income or loss of the Limited Partnership from a particular source and a particular place will generally be considered to be income or loss of an LP Unitholder from the same sources and places to the extent of the LP Unitholder’s share thereof. The income for purposes of the Tax Act of the Limited Partnership will include its income realized from the rental of its Properties, plus any taxable capital gains or recapture of capital cost allowance arising from dispositions of its Properties, less reasonable operating and administrative expenses. See the comments above under “Taxation of the Limited Partnership” for additional details regarding the computation of the Limited Partnership’s income for purposes of the Tax Act.

Subject to the “at-risk” rules in the Tax Act and the proposed “reasonable expectation of profit” rules (both summarized under “Taxation of the Limited Partnership” above), a LP Unitholder’s pro rata share of any losses (other than capital losses) of the Limited Partnership for any fiscal year may be applied against income from any other source to reduce the net income in that year and, to the extent such losses exceed other income for that year, carried back three years and forward twenty years against taxable income in such other years, in accordance with and subject to applicable provisions of the Tax Act. One half of a LP Unitholder’s pro rata share of any capital losses, if any, of the Limited Partnership for any fiscal year may generally be used by the LP Unitholder to offset taxable capital gains in the year, in any of the three prior years or in any subsequent year, in accordance with and subject to applicable provisions of the Tax Act.

An LP Unitholder’s share of any losses of the Limited Partnership denied as a consequence of the application of the “at-risk” rules is considered to be a “limited partnership loss” in respect of the Limited

Partnership for the year. Such "limited partnership loss" may be deducted by the LP Unitholder in any subsequent year against any income for that year to the extent that, at the end of the last fiscal year of the Limited Partnership ending in that year, the LP Unitholder's "at-risk" amount in respect of the Limited Partnership exceeds the LP Unitholder's share of any loss of the Limited Partnership for that fiscal year.

Distributions from the Limited Partnership

Generally, cash distributions to an LP Unitholder in excess of the LP Unitholder's share of the Limited Partnership's income and capital gains for a fiscal year will be treated for tax purposes as a return of capital, which will not be required to be included in the LP Unitholder's income but will reduce the LP Unitholder's adjusted cost base of LP Units. If, as a result, the LP Unitholder's adjusted cost base of its interest in the Limited Partnership would be a negative amount at the end of a fiscal period of the Limited Partnership, the LP Unitholder will be deemed to realize a capital gain equal to such amount, and the LP Unitholder's adjusted cost base of its interest in the Limited Partnership will then be nil immediately thereafter.

Disposition of LP Units

LP Unitholders may also realize a capital gain or loss on the disposition or deemed disposition of LP Units or upon the allocation of a capital gain or loss from the Limited Partnership, as described above under the "Taxation of the Limited Partnership".

Dissolution of the Limited Partnership

On the dissolution of the Limited Partnership, an LP Unitholder will generally be considered to have disposed of the LP Units for proceeds of disposition equal to the fair market value of the property received or receivable by the LP Unitholder on such dissolution, and the Limited Partnership will be deemed to have disposed of, and the LP Unitholder will be deemed to have acquired, such property at its fair market value. A particular LP Unitholder's income for the year of dissolution would include his share of the Limited Partnership's income or loss arising from the disposition of its property on the same basis as for any other fiscal period of the Limited Partnership. This income (or loss) will increase (or decrease) the adjusted cost base of the LP Unitholder's LP Units, while an amount equal to the fair market value of property of the Limited Partnership distributed to the LP Unitholder will reduce the adjusted cost base of the LP Unitholder's LP Units. After all property of the Limited Partnership has been distributed to an LP Unitholder in satisfaction of the of the LP Unitholder's LP Units, the LP Unitholder may also generally realize a capital loss to the extent that the adjusted cost base of the LP Units is greater than nil, or a capital gain to the extent that the adjusted cost base is negative. Notwithstanding the foregoing, a partnership all partners of which are residents of Canada may under certain conditions be dissolved in a tax-deferred manner, subject to certain detailed rules in the Tax Act in this regard.

Alternative Minimum Tax

As discussed above under "Taxation of the Trusts – Realty Trust" and "Taxation of the Unitholders – 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 an LP Unitholder who is an individual or a trust (and therefore the exposure of such LP Unitholder to liability for alternative minimum tax) must be increased by, among other things, any losses allocated from the Limited Partnership, any interest expense and financing costs otherwise deductible in respect of the acquisition of LP Units, a specified portion of the otherwise non-taxable half of capital gains, and certain losses carried forward from prior taxation years.

Taxation of Debentureholders

Qualified Investment

Debentures received as a result of redemptions of Fund Units may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan. Accordingly, Plans that propose to invest in Fund Units should consult their own tax advisors before deciding to purchase those units and again before deciding to exercise the redemption rights attached to such units. See the discussion under “Tax Considerations for Plans: Qualified Investments and Restrictions on Investment” above for further details.

Interest on Debentures

A Debentureholder that is an individual is required to include in his or her income for a taxation year any interest received in the year in respect of a Debenture as well as such interest accrued to the anniversary date of the Debenture (if the individual still holds the Debenture on that date) to the extent that it has not already been included in income in a preceding taxation year. An “anniversary date” of the Debenture is the day that is one year after the day immediately preceding the issue date of the Debenture and each subsequent anniversary of the day immediately preceding the issue date of the Debenture.

Debentureholders who dispose of Debentures in a particular year may generally be considered to receive a portion of their proceeds as accrued but unpaid interest earned on the Debentures. This accrued interest will be required to be included in the Debentureholder’s income to the extent that it has not already been included in computing income in a previous taxation year, and will reduce the proceeds of disposition for purposes of calculating any gain or loss which may arise on a disposition of the Debentures (see commentary under “Disposition of Debentures” below).

A Debentureholder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to it to the end of the particular taxation year or that has become receivable by or is received by it before the end of that taxation year, except to the extent that such interest was included in computing the Debentureholder's income for a preceding taxation year.

A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) will be liable to pay an additional refundable tax of 6 2/3% on investment income. For this purpose, investment income will generally include interest income from Debentures and taxable capital gains, if any, from their disposition.

Redemption, Repayment or Disposition of Debentures

If the Limited Partnership redeems a Debenture prior to maturity or repays a Debenture upon maturity, the Debentureholder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received (other than the amount received as or in lieu of unpaid interest) on such redemption or repayment.

Where Debentures that are held by a Debentureholder as capital property are disposed of (whether on redemption, repayment, assignment, sale or other disposition or deemed disposition), the Debentureholder may generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Debentureholder's adjusted cost base thereof and any reasonable costs of disposition.

Where a Debentureholder disposes of a Debenture, interest that accrued thereon for a period prior to the disposition and that is not payable until after that time will generally be required to be included as interest income for the Debentureholder's taxation year (to the extent not previously included in computing income) in which the disposition occurred and will not be required to be included in computing the Debentureholder's proceeds of disposition.

One-half of any capital gain is included in the income of a taxpayer as a taxable capital gain. One-half of a capital loss will be available to offset taxable capital gains realized in the current year and net taxable capital gains realized in future years and in the three immediately preceding years.

Other Matters

Tax Shelter Rules

The Tax Act contains "tax shelter rules" that reduce the amount of any cost or expense in respect of a "tax shelter investment", or any expenditure of a partnership an interest in which is a tax shelter investment by the amount of any "limited-recourse amount" and by the value of certain benefits to which the taxpayer may be entitled that reasonably relate to the expenditure.

A "tax shelter investment" includes a partnership interest where it can reasonably be considered, having regard to statements or representations made in connection with the partnership interest, that within four years after the day on which the interest is acquired, the losses and other amounts in respect of the partnership interest represented to be deductible in computing income will equal or exceed the cost of the partnership interest to the partner. The Tax Act provides for onerous penalties to a promoter and disallows deductions in respect of a tax shelter where tax shelter investments are sold before a tax shelter identification number is obtained. Accordingly, while an LP Unit may not constitute a "tax shelter" or a "tax shelter investment", the Promoter has nevertheless obtained from the CRA and the Minister of Revenue Quebec tax shelter identification numbers for the Limited Partnership. The federal tax shelter identification number in respect of the Limited Partnership is TS072140. The Quebec tax shelter identification number in respect of the Limited Partnership is QAF-06-01148. The issuance of an identification number does not in any way confirm the entitlement of the Realty Trust or any other LP Unitholder to claim any tax benefits associated with an LP Unit. The Tax Act and the Taxation Act (Québec) requires that the following statement be included with this reference to the tax shelter identification numbers:

"The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter."

If the LP Units constitute properties that are "tax shelter investments" as defined by the Tax Act, then the cost of the Properties would be reduced to the extent that the Debentures, Mortgage Loans and any other indebtedness incurred in connection with the funding of the acquisition cost of the Properties are considered to be "limited-recourse amounts," or to the extent that the Limited Partnership has received an amount or benefit granted for the purpose of reducing the impact, in whole or in part, of any loss that the Limited Partnership may sustain in respect of the Properties. Any reduction in the cost of the Properties would result in reduced capital cost allowance deductions. In the case of a loan that is a "limited-recourse amount", the cost of the Properties funded by the loan would be reinstated on the repayment of the loan (provided that the repayment is not funded by another "limited-recourse amount").

A “limited-recourse amount” includes the unpaid principal amount of any indebtedness for which recourse is limited, including indebtedness of a partnership where recourse against any member of the partnership in respect of the indebtedness is limited. In addition, the unpaid principal of an indebtedness is deemed to be a limited recourse amount unless written arrangements are made to repay the indebtedness and all interest on the indebtedness within 10 years, the interest is payable at least annually at a rate equal to or greater than the rate prescribed under the Regulations, and interest is paid no later than 60 days after the end of the debtor’s taxation year. As the recourse against Limited Partners in respect of the Debentures and Mortgage Loans may be limited, the Debentures and Mortgage Loans would be considered a limited-recourse amount and, if the LP Units were found to constitute tax shelter investments, the cost of the Properties would be reduced by the amount of the Debentures and Mortgage Loans.

General Anti-Avoidance Rule

The Tax Act contains a “general anti-avoidance rule” (“GAAR”) which permits the CRA to recharacterize the tax consequences of an “avoidance transaction” (as defined in the Tax Act) as is reasonable in the circumstances in order to deny a “tax benefit” (as defined in the Tax Act) that otherwise would have resulted from the transaction. In order for the GAAR to apply, a transaction or series of transactions must result, directly or indirectly, in a reduction, avoidance or deferral of tax or other amount payable under the Act, unless the transaction may reasonably be considered to have been undertaken or arranged primarily for bona fide purposes other than to obtain the tax benefit. The GAAR will not apply to a transaction where it may reasonably be considered that the transaction would not result, directly or indirectly, in a misuse of the provisions of the Tax Act or an abuse having regard to the provisions of the Tax Act read as a whole.

The foregoing summary of the principal Canadian federal income tax considerations was prepared on the basis of the application of specific provisions of the Tax Act to the transactions contemplated in the Offering, and not on the basis of the tax consequences which could arise as a result of an application of the GAAR to those transactions. There is no assurance that the CRA will not attempt to apply GAAR to alter certain of the tax consequences to the Limited Partnership relating to the acquisition, operation or disposition of the Properties, or to Unitholders (including Plans), LP Unitholders or Debentureholders relating to the acquisition, holding or disposition of Trust Units, Fund Units, LP Units or Debentures acquired pursuant to this Offering.

16. 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 Trust Units, Funds Units, LP Units or Debentures. If any of the following risks occur, or if others occur, the Limited Partnership’s business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. Risks affecting the Limited Partnership will affect the ability to pay interest on the Debentures and make distributions on the LP Units, which in turn will affect the ability of the Debenture Fund and the Realty Trust to make distributions on the Fund Units and the Trust Units, respectively. 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:

This is a Blind Pool Offering; Reliance on General Partner and its Management – Although the Realty Trustee, the Debenture Fund Trustee and the General Partner expect that the net proceeds of this Offering will be applied to the purchase and possibly development of one or more Properties, the specific Properties in which the Limited Partnership will invest have not yet been determined. In any event, if the maximum Offering of 36,000 Units is sold, the General Partner expects to cause the Limited Partnership

to apply approximately \$41,000,000 (i.e. approximately 91.1% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner upon the closing of any Property acquisitions), and to the creation of working capital reserves and reserves for renovations and upgrades. If only the minimum Offering of 4,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply approximately \$4,375,000 (i.e. approximately 87.5% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner), and to the creation of working capital reserves and reserves for renovations and upgrades. Depending on the return on investment achieved on any Properties that may be acquired by the Limited Partnership, the Limited Partners' return on their respective investments in the Units will vary.

Reliance on Management – Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and its principals, Darren Latoski and Steve Evans. In particular, prospective purchasers will have to rely on the discretion and ability of the General Partner and its principals in determining the composition of the portfolio of Properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition of Properties. The ability of the General Partner to successfully implement the Limited Partnership's business strategy will depend in large part on the continued employment of Messrs. Latoski and Evans. Neither the General Partner nor the Limited Partnership maintains key person life insurance for any of these named individuals. If the General Partner loses the services of one or more of these individuals, the business, financial condition and results of operations of the Limited Partnership may be materially adversely affected.

No Market for Units – There currently is no market whatsoever for the Units, or for the Trust Units or Fund Units comprised in the Units, or for the LP Units and Debentures, and it is expected that there will be no market for the Units, Trust Units, Fund Units, LP Units or Debentures. Consequently, holders of such securities may not be able to sell them readily, and Units, Trust Units, Fund Units, LP Units and Debentures may not be readily accepted as collateral for a loan. Purchasers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Less than Full Offering – There can be no assurance that this Offering will be completely sold out. If less than all of the 36,000 Units are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Limited Partnership and, consequently, its business development plans and prospects could be adversely affected, since fewer Properties will be purchased, owned and operated by the Limited Partnership.

Risks of Real Estate Ownership – Investment in real estate is subject to numerous risks, including the factors listed below and other events and factors which are beyond the control of the Limited Partnership:

- (a) *Financing Risks* – There is no assurance that the Limited Partnership will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties, or, if available, that the Limited Partnership will be able to obtain Mortgage Loans on commercially acceptable terms. Further, there is no assurance or guarantee that any Mortgage Loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the Limited Partnership is able to purchase will decrease and the projected return from the ownership of Properties will be reduced. Even if the Limited Partnership is successful in obtaining adequate Mortgage Loans, the Limited Partnership may not be able to generate sufficient funds through the operation of the Properties to service the Mortgage Loans. If a default occurs under any of the

Mortgage Loans, one or more of the Lenders could exercise its rights including, without limitation, foreclosure or sale of the Properties.

- (b) *Interest Rate Fluctuations* - The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Limited Partnership's cost of borrowing.
- (c) *Potential Liability under Environmental Protection Legislation* – Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the Limited Partnership could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the Properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect the Limited Partnership's ability to sell such Property or to borrow using the Property as collateral, and could potentially also result in claims against the Limited Partnership by private parties.
- (d) *Uninsured Losses* – The General Partner will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Limited Partnership and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Limited Partnership could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.
- (e) *Reliance on Property Management* – The General Partner will not have the management personnel to manage the Properties, but will rely upon independent management companies to perform this function. The employees of the management companies will devote so much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.
- (f) *Competition for Real Property Investments* – The Limited Partnership competes for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles, and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments similar to those sought by the Limited Partnership. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments.
- (g) *Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the Mortgage Loans or to fund changes in the variable rates of interest charged in respect of such loans.

Risks associated with Redemptions

- (a) *Use of Available Cash* - The payment in cash by the Realty Trust and Debenture Fund, respectively, of the redemption price of Trust Units and Fund Units will reduce the amount of cash available to the Realty Trust and Debenture Fund for the payment of distributions to the holders of Trust Units and Fund Units, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.

- (b) *Limitation on Payment of Redemption Price in Cash* – The total cash amount available for the payment of the redemption price of Trust Units or Fund Units by the Realty Trust and Debenture Fund, respectively, is limited to \$50,000 in each calendar quarter and is limited in any twelve month period to 3/4 of 1% of the aggregate subscription price of all Trust Units or Fund Units, as the case may be that were issued and outstanding at the start of such twelve month period. Further, certain requirements must be satisfied with respect to the ratio of the aggregate amount outstanding in respect of Debentures relative to the aggregate capital accounts in respect of LP Units in order for the redemption price to be paid in cash.
- (c) *Payment of Redemption Price in Kind* - As a result of the foregoing limitations, the redemption of Trust Units may be paid by way of a distribution in specie of LP Units and the redemption of Fund Units may be paid by a distribution in specie of Debentures. LP Units received as a result of redemptions of Trust Units, and Debentures received as a result of redemptions of Fund Units, may not be qualified investments for Plans, and this could give rise to adverse consequences to a Plan or the annuitant under a Plan, including the redeeming Unitholder becoming subject to a penalty tax, the Plan annuitant being deemed to receive income from the Plan, or, in the case of an RESP, having the Plan’s tax exempt status revoked. Accordingly, Plans that propose to invest in Trust Units or Fund Units should consult their own tax advisors before doing so and before deciding to exercise the redemption rights attached to such Units.
- (d) *Limited Rights to Redeem LP Units and Debentures* – The rights to redeem LP Units and Debentures are limited. If, in any given year, the Limited Partnership receives notices requiring the Limited Partnership to redeem a number of LP Units and Debentures in excess of 5% of the total number of LP Units and Debentures issued by the Limited Partnership, or if insufficient funds are available to redeem the number of LP Units and Debentures in respect of which a request for redemption has been made, then the redemption of LP Units and Debentures in that year will be made on a pro rata basis. The number of LP Units and Debentures redeemed will be limited to the lesser of 5% of the total number of LP Units and Debentures issued by the Limited Partnership and that number of LP Units and Debentures for which funds are determined to be available. Therefore, there can be no assurance that Unitholders who receive LP Units and Debentures upon the redemption of their LP Units and Debentures will be able to redeem such LP Units or Debentures when they wish to do so.

Tax Matters – The tax treatment of investment and real estate activities and of the Trusts and Limited Partnership has a material effect on the advisability of an investment in the Units. . (Refer to “Canadian Federal Income Tax Considerations” on page 62 herein).

Limited Liability – The limited liability of a Limited Partner holding LP Units may be lost if the Limited Partner takes part in the management of the business of the Limited Partnership or through non-compliance with the *Partnership Act* (British Columbia).

Net Worth of the General Partner – The General Partner, which has unlimited liability for the obligations of the Limited Partnership, has no material net worth. Therefore, if the Limited Partnership is not able to generate sufficient funds through the operation of the Properties to meet its obligations, the General Partner will be exposed to bankruptcy or insolvency. Bankruptcy or insolvency will impair or remove entirely the ability of the General Partner to: (i) successfully implement the Limited Partnership’s business strategy; (ii) carry out a restructuring of the business and affairs of the Limited Partnership if required; or (iii) satisfy certain limited obligations of the General Partner to the Limited Partnership.

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.

17. PROMOTER

SRAI may be considered to be the promoter of the Trusts by reason of its initiative in organizing the respective businesses of the Trusts and taking the steps necessary for the public distribution of the Units.

18. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Limited Partnership, the Realty Trust, the Debenture Fund or the General Partner is a party, nor are any such proceedings known to be contemplated.

19. AUDITORS

The auditors of each of the Realty Trust, the Debenture Fund, the General Partner and the Limited Partnership are Meyers Norris Penny LLP, of 96 Wallace Street, Nanaimo, BC V9R 5L5. As of August 25, 2006, the partners of Meyers Norris Penny LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Issuers and their respective associates and affiliates.

20. REGISTRAR AND TRANSFER AGENT

Pursuant to the Realty Trust Declaration, the Realty Trustee acts as the registrar and transfer agent for the Trust Units. Pursuant to the Debenture Fund Declaration, the Debenture Fund Trustee acts as the registrar and transfer agent for the Fund Units. Pursuant to the Limited Partnership Agreement, the General Partner acts as the registrar and transfer agent for the LP Units and the Debentures.

Registration and transfers of Trust Units and Fund Units will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited (“CDS”). 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. See “Plan of Distribution” on page 60 herein.

21. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which any of the Issuers have entered into during the last two years, and the material agreements to which Purchasers will be required to become a party. **Copies of these agreements are available for inspection during regular business hours at the offices of the General Partner, located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.**

21.1 Particulars of Material Contracts

1. **Realty Trust Declaration** - described in “Description of the Securities Distributed– Trust Units” on page 17 herein.
2. **Debenture Fund Declaration**- described in “Description of the Securities Distributed – Fund Units” on page 25 herein.

3. **Limited Partnership Agreement**- described in “Description of the Securities Distributed – LP Units” on page 33 herein.
4. **Debenture Indenture** – described in “Description of the Securities Distributed – Debentures” on page 40 herein.
5. **General Security Agreement executed by the Limited Partnership in favour of the Debenture Fund** – described in “Description of the Securities Distributed – Debentures” on page 40 herein.
6. **General Partner Services Agreement** – described in “Executive Compensation – Management Agreements” on page 58 herein.
7. **Agency Agreement** – described in “Plan of Distribution – Agency Agreement” on page 60 herein.
8. **Cost Sharing and Recovery Agreement** – an agreement dated as of August 18, 2006 between the Limited Partnership, the Realty Trust and the Debenture Fund pursuant to which the Limited Partnership agreed to bear all of the costs of this Offering in connection with the issuance of Debentures and LP Units by the Limited Partnership, and to reimburse the Realty Trust and the Debenture Fund for any costs incurred in connection with the transactions described in this Offering, as described in note 11 to the chart of Intercorporate Relationships on page 2 herein.
9. **Administration Agreement** – described in “Executive Compensation – Management Agreements” on page 58 herein.

21.2 Inspection of Contracts and Reports

There are no material contracts except as disclosed in this Prospectus or entered into in the ordinary course of the Issuers’ businesses, all of which may be inspected at the registered office of the Realty Trustee, the Debenture Fund Trustee and the General Partner, 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.

22. 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 Issuers or of an associate of the Issuers, or is a promoter of the or of any associate of the Issuers.

Certain legal matters in connection with this Offering will be passed upon by Clark Wilson LLP, on behalf of the Issuers, and by Miller Thomson LLP, on behalf of the Agents. As at August 25, 2006, partners and associates of Clark Wilson LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Issuers and their respective associates and affiliates. As at August 25, 2006, partners and associates of Miller Thomson LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Issuers and their respective associates and affiliates.

KPMG LLP has prepared the summary of principal Canadian federal income tax considerations set out under the heading "Canadian Federal Income Tax Considerations" on page 62. As at August 25, 2006, KPMG LLP beneficially owned, directly or indirectly, less than 1% in the outstanding securities of the Issuers and their respective associates and affiliates

23. PURCHASERS' STATUTORY RIGHTS

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.

FINANCIAL STATEMENTS

Please see next page.

Auditors' Consent

To the British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland And Labrador securities regulatory authorities:

We have read the prospectus of Sunstone Opportunity (2006) Realty Trust (the "Realty Trust"), Sunstone Opportunity (2006) Debenture Fund (the "Debenture Fund") and Sunstone Opportunity Fund (2006) Limited Partnership (the "Limited Partnership") dated September 19, 2006 relating to the sale and distribution of Units at a price of \$1,250 per Unit. 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 Sunstone Opportunity (2006) Realty Trust on the balance sheet of the Realty Trust as at August 21, 2006. Our report is dated August 23, 2006, except as to Note 3 which is as of September 19, 2006.

We consent to the use in the above-mentioned prospectus of our report to the trustee of Sunstone Opportunity (2006) Debenture Fund on the balance sheet of the Debenture Fund as at August 21, 2006. Our report is dated August 23, 2006, except as to Note 3 which is as of September 19, 2006.

We consent to the use in the above-mentioned prospectus of our report to the directors of Sunstone Realty Advisors (2006) Inc. in its capacity as general partner of Sunstone Opportunity Fund (2006) Limited Partnership on the balance sheet of the Limited Partnership as at August 21, 2006. Our report is dated August 23, 2006, except as to Note 4 which is as of September 19, 2006.

We consent to the use in the above-mentioned prospectus of our report to the directors of Sunstone Realty Advisors (2006) Inc. on the balance sheet of the company as at August 21, 2006. Our report is dated August 23, 2006, except as to Note 5 which is as of September 19, 2006.

We report that we have read the Prospectus and have no reason to believe that there are any misrepresentations in the information contained therein that is derived from the financial statements upon which we have reported or that is within our knowledge as a result of our audits of such financial information.

This letter is provided to the regulatory authorities to whom it is addressed pursuant to the requirements of their security legislation and not for any other purpose. Any use that a third party makes of the letter, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this letter.

Yours truly,

"Meyers Norris Penny LLP"

Chartered Accountants
Nanaimo, British Columbia

September 19, 2006

Sunstone Opportunity (2006) Realty Trust
Financial Statements
August 21, 2006

To the Trustee of
Sunstone Opportunity (2006) Realty Trust:

We have audited the balance sheet of Sunstone Opportunity (2006) Realty Trust as at August 21, 2006. This financial statement is the responsibility of the Trust's management. 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at August 21, 2006 in accordance with Canadian generally accepted accounting principles.

Nanaimo, British Columbia

August 23, 2006 (except as to note 3 which is as of September 19, 2006)

"Meyers Norris Penny LLP"

Chartered Accountants

Sunstone Opportunity (2006) Realty Trust
Balance Sheet
As at August 21, 2006

Assets

Current

Cash

10

Subsequent events *(note 3)*

Unitholder equity

Unitholder equity *(note 2)*

10

Approved on behalf of the Trustee

"Robert King"

Director

"James Redekop"

Director

Sunstone Opportunity (2006) Realty Trust

Notes to the Financial Statements

For the period from August 18, 2006 to August 21, 2006

1. Incorporation and operations

Sunstone Opportunity (2006) Realty Trust (the “Realty Trust”) is an unincorporated, open-ended, limited purpose investment trust created on August 18, 2006 by a declaration of trust governed by the laws of the Province of British Columbia. The Realty Trust is authorized to issue an unlimited number of redeemable Units of beneficial interest. Each holder of a Unit participates pro rata in any distribution of the Realty Trust. The Realty Trust was initially established to acquire limited partnership units of Sunstone Opportunity Fund (2006) Limited Partnership (the “Limited Partnership”).

Income tax obligations related to the allocation of taxable income of the Realty Trust are obligations of the Unitholder.

There has been no activity in the Realty Trust between its formation on August 18, 2006, and August 21, 2006 except for the receipt of a capital contribution. Accordingly, no statement of operations, or cash flows for the period have been presented.

2. Unitholder equity

Unitholder equity represents the initial capital contribution of property to Sunstone Opportunity (2006) Realty Trust made by Sunstone Realty Advisors Inc.

3. Subsequent events

The Realty Trust, along with Sunstone Opportunity (2006) Debenture Fund (the “Debenture Fund”) and the Limited Partnership filed a prospectus dated September 19, 2006 for an initial public offering (the “Offering”) to sell a minimum of 4,000 Units up to a maximum of 36,000 Units at a price of \$1,250 per Unit. Each Unit will consist of one Unit of the Realty Trust at a price of \$250 and one Unit of the Debenture Fund at a price of \$1,000.

The proceeds of the Offering will be used by Realty Trust to acquire Limited Partnership Units from the Limited Partnership.

Pursuant to a Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear the costs and expenses incurred in respect of the Offering, including the agent’s commissions, fees and expenses.

95% of the aggregate net proceeds received from the Offering are expected to be invested by the Limited Partnership in the purchase of real estate properties, the creation of renovation and working capital reserves, or the development of real estate properties by February 28, 2008. Otherwise, 20% of the portion not invested will be returned to the Realty Trust.

Sunstone Opportunity (2006) Debenture Fund
Financial Statements
August 21, 2006

To the Trustee of
Sunstone Opportunity (2006) Debenture Fund:

We have audited the balance sheet of Sunstone Opportunity (2006) Debenture Fund as at August 21, 2006. This financial statement is the responsibility of the Trust's management. 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at August 21, 2006 in accordance with Canadian generally accepted accounting principles.

Nanaimo, British Columbia

August 23, 2006 (except as to note 3 which is as of September 19, 2006)

"Meyers Norris Penny LLP"

Chartered Accountants

Sunstone Opportunity (2006) Debenture Fund

Balance Sheet

As at August 21, 2006

Assets

Current

Cash

10

Subsequent events *(note 3)*

Unitholder Equity

Unitholder equity *(note 2)*

10

Approved on behalf of the Trustee

"Robert King"

Director

"James Redekop"

Director

The accompanying notes are an integral part of these financial statements

Sunstone Opportunity (2006) Debenture Fund

Notes to the Financial Statements

For the period from August 18, 2006 to August 21, 2006

1. Incorporation and operations

Sunstone Opportunity (2006) Debenture Fund (the “Debenture Fund”) is an unincorporated, open-ended, limited purpose investment trust created on August 18, 2006 by a declaration of trust governed by the laws of the Province of British Columbia. The Debenture Fund is authorized to issue an unlimited number of redeemable Units of beneficial interest. Each holder of a Unit participates pro rata in any distribution of the Debenture Fund. The Debenture Fund was initially established for the purpose of investing in debentures of Sunstone Opportunity Fund (2006) Limited Partnership (the “Limited Partnership”).

Income tax obligations related to the allocation of taxable income of the Debenture Fund are obligations of the Unitholder.

There has been no activity in the Debenture Fund between its formation on August 18, 2006 and August 21, 2006 except for the receipt of a capital contribution. Accordingly, no statement of operations or cash flows for the period has been presented.

2. Unitholder equity

Unitholder equity represents the initial capital contribution of property to Sunstone Opportunity (2006) Debenture Fund made by Sunstone Realty Advisors Inc.

3. Subsequent events

The Debenture Fund, along with Sunstone Opportunity (2006) Realty Trust (the “Realty Trust”) and the Limited Partnership filed a prospectus dated September 19, 2006 for an initial public offering (the “Offering”) to sell a minimum of 4,000 Units up to a maximum of 36,000 Units at a price of \$1,250 per Unit. Each Unit will consist of one Unit of the Realty Trust at a price of \$250 and one Unit of the Debenture Fund at a price of \$1,000.

The proceeds of the Offering will be used by the Debenture Fund to acquire Debentures from the Limited Partnership. The Debentures will be secured by a general security agreement executed by the Limited Partnership in favour of the Debenture Fund, will bear interest at 8% per annum, payable quarterly and will mature on October 31, 2011.

Pursuant to a Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear the costs and expenses incurred in respect of the Offering, including the agent’s commissions, fees and expenses.

95% of the aggregate net proceeds received from the Offering are expected to be invested by the Limited Partnership in the purchase of real estate properties, the creation of renovation and working capital reserves, or the development of real estate properties by February 28, 2008. Otherwise, 80% of the portion not invested will be returned to the Debenture Fund, with interest.

Sunstone Opportunity Fund (2006)
Limited Partnership
Financial Statements
August 21, 2006

To the Directors of

Sunstone Realty Advisors (2006) Inc. in its capacity as General Partner of Sunstone Opportunity Fund (2006) Limited Partnership:

We have audited the balance sheet of Sunstone Opportunity Fund (2006) Limited Partnership as at August 21, 2006. This financial statement is the responsibility of the Limited Partnership's management. 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Limited Partnership as at August 21, 2006 in accordance with Canadian generally accepted accounting principles.

Nanaimo, British Columbia

August 23, 2006 (except as to note 4 which is as of September 19, 2006)

"Meyers Norris Penny LLP"

Chartered Accountants

Sunstone Opportunity Fund (2006) Limited Partnership

Balance Sheet

As at August 21, 2006

| | |
|----------------|-----------|
| Assets | |
| Current | |
| Cash | 20 |

Subsequent events *(note 4)*

| | |
|--------------------------------------|-----------|
| Partners' capital | |
| General Partner contribution | 10 |
| Initial Limited Partner contribution | 10 |
| | 20 |

Approved by the Directors of
Sunstone Realty Advisors (2006) Inc.
as General Partner

"Darren Latoski"

Director

"Steve Evans"

Director

Sunstone Opportunity Fund (2006) Limited Partnership

Notes to the Financial Statements

For the period from August 18, 2006 to August 21, 2006

1. Incorporation and operations

Sunstone Opportunity Fund (2006) Limited Partnership (the “Limited Partnership”) was formed pursuant to the Partnership Act (British Columbia) on August 18, 2006. The Limited Partnership was established for the purpose of acquiring income producing residential and/or commercial real estate properties and for limited investment in real estate development opportunities.

The general partner of the Limited Partnership is Sunstone Realty Advisors (2006) Inc. (the “General Partner”).

There has been no activity in the Limited Partnership between its formation on August 18, 2006 and August 21, 2006 except for the issuance of one initial Limited Partner Unit and one General Partner Unit. Accordingly, no statement of operations or cash flows for the period has been presented.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of presentation

The financial statements reflect the financial position of the Limited Partnership and do not include the assets, liabilities, revenues and expenses of the partners. No provision for income taxes has been made in these financial statements as the Partners are responsible for the income taxes on their share of income or loss from the Limited Partnership.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Allocation of net income or net loss

Net income or loss of the Limited Partnership will be allocated 0.005% to the General Partner to a maximum of \$100 per annum plus its incentive management interest, 0.005% to the Initial Limited Partner to a maximum of \$100 per annum and the balance to the limited partners. The General Partner is also entitled to an incentive management interest of 20/80ths of the aggregate of the total payments made in respect of the Limited Partners’ minimum return and the interest paid on any debentures the Limited Partnership issues.

Sunstone Opportunity Fund (2006) Limited Partnership

Notes to the Financial Statements

For the period from August 18, 2006 to August 21, 2006

3. Partners' capital

Authorized

The Limited Partnership's authorized partners' capital consists of 60,000 Limited Partners' Units and the interests held by the initial Limited Partner and the General Partner.

Issued

On August 18, 2006 the Limited Partnership issued the General Partners' Unit and the Initial Limited Partners' Unit for proceeds of \$10 each.

4. Subsequent events

The Limited Partnership, along with Sunstone Opportunity (2006) Realty Trust (the "Realty Trust") and Sunstone Opportunity (2006) Debenture Fund (the "Debenture Fund"), filed a prospectus dated September 19, 2006 for an initial public offering (the "Offering") to sell a minimum of 4,000 Units up to a maximum of 36,000 Units at a price of \$1,250 per Unit. Each Unit will consist of one Unit of the Realty Trust at a price of \$250 and one Unit of the Debenture Fund at a price of \$1,000.

The proceeds of the Offering will be used by Realty Trust to acquire Limited Partnership Units and by the Debenture Fund to acquire Debentures from the Limited Partnership. The Debentures will be secured by a general security agreement executed by the Limited Partner in favour of the Debenture Fund, will bear interest at 8% per annum, payable quarterly, and will mature on October 31, 2011.

Pursuant to a Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to bear the costs and expenses incurred in respect of the Offering, including the agent's commissions, fees and expenses.

Pursuant to an Agency Agreement, the Agents will receive a commission equal to 8% of the purchase price of the Units sold. In addition, the General Partner has agreed to assign 25% of its incentive management interest to the Agents and pay a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to a General Partner Services Agreement, so long as the asset management fee is collected by the General Partner.

Pursuant to a General Partner Services Agreement, the Limited Partnership will pay the General Partner a financing fee equal to 1.5% of the gross purchase price of each real estate property acquired, a disposition fee equal to 1.5% of the gross sales price of each real estate property disposed of and an annual asset management fee equal to 1.5% of the net asset value of the Limited Partnership. Net asset value is the greater of the total gross cash proceeds from the Offering, and the total purchase price of the properties plus cash reserves less outstanding mortgage debt. In addition, the General Partner is entitled to be reimbursed any deposits paid and for all out of pocket expenses incurred by the General Partner in completing any of the above duties.

95% of the aggregate net proceeds received from the initial public offering are expected to be invested in the purchase of real estate properties, the creation of renovation and working capital reserves, or the development of real estate properties by February 28, 2008. Otherwise, 20% of the portion not invested will be returned to holders of Limited Partnership Units and 80% of the portion not invested will be returned to holders of the Debentures, with interest.

Sunstone Realty Advisors (2006) Inc.
Financial Statements
August 21, 2006

To the Directors of
Sunstone Realty Advisors (2006) Inc.:

We have audited the balance sheet of Sunstone Realty Advisors (2006) Inc. as at August 21, 2006. This financial statement is the responsibility of the company's management. 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement present fairly, in all material respects, the financial position of the company as at August 21, 2006 in accordance with Canadian generally accepted accounting principles.

Nanaimo, British Columbia

August 23, 2006 (except as to note 5 which is as of September 19, 2006)

"Meyers Norris Penny LLP"

Chartered Accountants

Sunstone Realty Advisors (2006) Inc.

Balance Sheet

As at August 21, 2006

Assets

Investment in Limited Partnership *(note 3)*

10

Subsequent events *(note 5)*

Shareholders' equity

Share capital *(note 4)*

10

Approved by the Directors

"Darren Latoski"

Director

"Steve Evans"

Director

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Sunstone Realty Advisors (2006) Inc. (the "Company") was formed pursuant to the Business Corporations Act (British Columbia) on August 16, 2006. The Company was established for the purposes of managing, administering and operating the business of Sunstone Opportunity Fund (2006) Limited Partnership (the "Limited Partnership"), in its capacity as general partner of the Limited Partnership.

There has been no activity in the Company between its formation on August 16, 2006 and August 21, 2006 except for the issuance of 1,000 common shares. Accordingly, no statement of operations or cash flows for the period has been presented.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and includes the following significant accounting policies:

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Investments

The Company's investment in the Limited Partnership is accounted for on the equity basis, whereby the investment is recorded at cost and adjusted to recognize the Company's share of the Limited Partnership's net income or loss.

3. Investment in Limited Partnership

The Company's investment in the Limited Partnership consists of one general partner's unit with a cost of \$10.

The net income or loss of the Limited Partnership is allocated 0.005% to the Company to a maximum of \$100 per annum, plus an incentive management interest of 20/80^{ths} of the aggregate of the total payments made in respect of the Limited Partners' minimum return and the interest paid on any debentures the Limited Partnership issues.

Sunstone Realty Advisors (2006) Inc.
Notes to the Financial Statements
For the period from August 16, 2006 to August 21, 2006

4. Share capital

2006

Authorized

Common shares
Unlimited common shares without par value

Issued

Common shares
1,000 common shares

10

5. Subsequent events

The Limited Partnership, along with Sunstone Opportunity (2006) Realty Trust (the "Realty Trust") and Sunstone Opportunity (2006) Debenture Fund (the "Debenture Fund"), filed a prospectus dated September 19, 2006 for an initial public offering (the "Offering") to sell a minimum of 4,000 Units up to a maximum of 36,000 Units at a price of \$1,250 per Unit. Each Unit will consist of one Unit of the Realty Trust at a price of \$250 and one Unit of the Debenture Fund at a price of \$1,000.

The proceeds of the Offering will be used by Realty Trust to acquire Limited Partnership Units and will be used by the Debenture Fund to acquire Debentures from the Limited Partnership. The Debentures will be secured by a general security agreement executed by the Limited Partnership in favour of the Debenture Fund, and will bear interest at 8% per annum, payable quarterly, and will mature on October 31, 2011.

Pursuant to a General Partner Services Agreement, the Limited Partnership will pay the Company a financing fee equal to 1.5% of the gross purchase price of each real estate property acquired, a disposition fee equal to 1.5% of the gross sales price of each real estate property disposed of and an annual asset management fee equal to 1.5% of the net asset value of the Limited Partnership. Net asset value is the greater of the total gross cash proceeds from the Offering, and the total purchase price of the properties plus cash reserves less outstanding mortgage debt. In addition, the General Partner is entitled to be reimbursed any deposits paid and for all out of pocket expenses incurred by the General Partner in completing any of the above duties.

CERTIFICATE OF THE REALTY TRUST

DATED: September 19, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SUNSTONE OPPORTUNITY (2006) REALTY TRUST by its Trustee, SRAI Realty Trust (2006) Inc.

“Darren Latoski”
Darren Latoski,
President and
Acting Chief Executive Officer

“Robert King”
Robert King
Secretary and
Acting Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“Robert King”
Robert King, Director

“James Redekop”
James Redekop, Director

PROMOTER

SUNSTONE REALTY ADVISORS INC.

“Steve Evans”
Steve Evans, Secretary and Director

“Darren Latoski”
Darren Latoski, President and Director

CERTIFICATE OF THE DEBENTURE FUND

DATED: September 19, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SUNSTONE OPPORTUNITY (2006) DEBENTURE FUND by its Trustee, SRAI Debenture Fund (2006) Inc.

“Darren Latoski”
Darren Latoski,
President and
Acting Chief Executive Officer

“Robert King”
Robert King
Secretary and
Acting Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“Robert King”
Robert King, Director

“James Redekop”
James Redekop, Director

PROMOTER

SUNSTONE REALTY ADVISORS INC.

“Darren Latoski”
Darren Latoski, President and Director

“Steve Evans”
Steve Evans, Secretary and Director

CERTIFICATE OF THE LIMITED PARTNERSHIP

DATED: September 19, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SUNSTONE OPPORTUNITY FUND (2006) LIMITED PARTNERSHIP by its General Partner, Sunstone Realty Advisors (2006) Inc.

“Darren Latoski”
Darren Latoski,
President and
Acting Chief Executive Officer

“Steve Evans”
Steve Evans,
Secretary and
Acting Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“Darren Latoski”
Darren Latoski, Director

“Steve Evans”
Steve Evans, Director

PROMOTER

SUNSTONE REALTY ADVISORS INC.

“Darren Latoski”
Darren Latoski, President and Director

“Steve Evans”
Steve Evans, Secretary and Director

CERTIFICATE OF THE AGENTS

DATED: September 19, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

Dundee Securities Corporation

Per: *"Brett A. Whalen"*
Brett A. Whalen
Vice President, Investment Banking

Sora Group Wealth Advisors Inc.

Per: *"Robert Isaac"*
Robert Isaac
President and Chief Executive Officer

Bieber Securities Inc.

Per: *"Claude Tetrault "*
Claude Tetrault
Vice President

MGI Securities Inc.

Per: *"Joshua H.H. Kingsmill"*
Joshua H.H. Kingsmill
Vice President, Corporate Finance

Blackmont Capital Inc.

Per: *"Michael Klax"*
Michael Klax
Vice President, Investment Banking

Raymond James Ltd.

Per: *"Sara Minatel"*
Sara Minatel
Vice President, Syndication

Laurentian Bank Securities Inc.

Per: *"Michel Richard"*
Michel Richard
Vice President