

Financial Statements of

**PURE INDUSTRIAL REAL ESTATE TRUST**

Period Ended March 31, 2008

Unaudited - prepared by management

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2008.

# PURE INDUSTRIAL REAL ESTATE TRUST

## Balance Sheet

	March 31, 2008	December 31, 2007
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
Income producing properties	\$ 66,606,588	\$ 66,898,934
Intangible assets	2,585,737	2,664,756
Mortgage reserve fund	788,995	783,622
Prepaid expenses	153,113	36,974
Amounts receivable	180,781	184,727
Cash held in trust	13,941	29,544
Cash	469,729	1,479,380
	<b>\$ 70,798,884</b>	<b>\$ 72,077,937</b>
<b>LIABILITIES</b>		
Mortgages payable	\$ 43,338,032	\$ 43,546,918
Accounts payable and accrued liabilities	800,107	1,780,127
Rental deposits	192,817	194,985
Notes payable (note 3)	23,750	23,750
	<b>44,354,706</b>	<b>45,545,780</b>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' equity (note 4)	26,444,178	26,532,157
	<b>\$ 70,798,884</b>	<b>\$ 72,077,937</b>

See accompanying notes to financial statements.

Approved on behalf of the Trustee

\_\_\_\_\_  
Douglas R. Scott Trustee

\_\_\_\_\_  
Stephen J. Evans Trustee

# PURE INDUSTRIAL REAL ESTATE TRUST

Statement of Earnings and Comprehensive Income  
Unaudited – prepared by management

Three months ended	March 31, 2008	March 31, 2007
<b>REVENUES</b>		
Rental and recoveries	\$ 1,727,579	\$ —
Interest and other	34,167	—
	<b>1,761,746</b>	<b>—</b>
<b>RECOVERABLE OPERATING EXPENSES</b>		
Property insurance	26,867	—
Property management fees	9,682	—
Property recoverable operating costs	451	—
Property taxes	332,128	—
	<b>369,128</b>	<b>—</b>
<b>EARNINGS BEFORE THE UNDERNOTED</b>	<b>1,392,618</b>	<b>—</b>
<b>NON-RECOVERABLE EXPENSES</b>		
Amortization	392,976	—
Mortgage interest	604,512	—
Mortgage transaction costs	13,183	—
General and administrative expenses	83,475	—
	<b>1,094,146</b>	<b>—</b>
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	<b>\$ 298,472</b>	<b>\$ —</b>
Basic net earnings per unit (note 10)		
Trust units (7,512,016 units)	\$ 0.038	\$ —
Subordinated units (278,947 units)	0.053	—
Diluted net earnings per unit		
Trust units (7,512,016 units)	0.038	—
Subordinated units (278,947 units)	0.053	—

See accompanying notes to financial statements.

# PURE INDUSTRIAL REAL ESTATE TRUST

Statement of Unitholders' Equity  
Unaudited – prepared by management

	Units		Amount
Issuance of units			
Initial unit	1	\$	10
Trust units	7,450,000		29,370,000
Subordinated units	278,947		1,115,788
Issuance costs	—		(3,316,784)
Net earnings	—		23,364
Distributions			
Trust units	—		(627,210)
Subordinated units	—		(33,011)
<b>Balance, December 31, 2007</b>	<b>7,728,948</b>	<b>\$</b>	<b>26,532,157</b>
Issuance of units			
Trust units	76,263		289,799
Issuance costs	—		(82,071)
Net earnings	—		298,472
Distributions			
Trust units	—		(564,470)
Subordinated units	—		(29,709)
<b>Balance, March 31, 2008</b>	<b>7,805,211</b>	<b>\$</b>	<b>26,444,178</b>

See accompanying notes to financial statements.

# PURE INDUSTRIAL REAL ESTATE TRUST

## Statement of Cash Flows

Unaudited – prepared by management

Three months ended	March 31, 2008	March 31, 2007
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net earnings	\$ 298,472	\$ —
Items not involving cash:		
Amortization of discount on mortgage reserve fund	(5,373)	—
Amortization of intangible assets	79,019	—
Depreciation of income producing properties	313,957	—
Changes in non-cash working capital items:		
Decrease in amounts receivable	3,946	—
Increase in prepaid expenses	(116,139)	—
Decrease in rental deposit	(2,168)	—
Decrease in accounts payable and accrued liabilities	(1,011,636)	—
	<b>(439,922)</b>	<b>—</b>
<b>Financing:</b>		
Mortgages repayments	(208,886)	—
Net proceeds from issuance of units	207,728	—
Distributions to unitholders	(562,563)	—
	<b>(563,721)</b>	<b>—</b>
<b>Investments:</b>		
Costs relating to the purchase of income producing properties and related intangible assets	(21,611)	—
Cash held in trust	15,603	—
	<b>(6,008)</b>	<b>—</b>
<b>Change in cash</b>	<b>(1,009,651)</b>	<b>—</b>
<b>Cash, beginning of the period</b>	<b>1,479,380</b>	<b>—</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 469,729</b>	<b>\$ —</b>
Supplemental cash flow information:		
Interest paid	\$ 455,052	\$ —

See accompanying notes to financial statements.

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

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## 1. Nature of business and basis of presentation:

Pure Industrial Real Estate Trust (the Trust or "PIRET") is an unincorporated open-ended trust formed under and governed by the laws of the Province of British Columbia and created pursuant to the Trust Declaration dated June 24, 2007. PIRET was established for the purposes of acquiring, owning and operating a diversified portfolio of income producing industrial properties in both primary and secondary markets across Canada.

PIRET's primary objectives are (a) to generate stable and growing cash distributions from investments in income producing industrial properties in both primary and secondary markets across Canada, (b) to maximize the long-term value of the properties through active management, and (c) to expand its asset base and increase its distributable income through an accretive acquisition program.

## 2. Significant accounting policies:

PIRET's unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are consistent with the significant accounting policies reported in the Trust's audited financial statements for the period ended December 31, 2007, except as described in note 2 (a) below. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim financial statements should be read in conjunction with the Trust's audited financial statements for the period ended December 31, 2007.

### (a) Changes in accounting policies:

Effective January 1, 2008, the Trust adopted three new accounting standards from the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862"), and Handbook Section 3863, Financial Instruments Presentation ("Section 3863").

Section 1535 requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance. Refer to note 5 for additional disclosures

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Refer to note 7 for additional disclosures

These new accounting standards have no impact on the Trust's financial results, financial position or cash flow for the prior or current periods.

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

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### 3. Notes payable:

PIRET has entered into a subordination and support agreement with Sunstone Industrial Investments Inc. ("Sunstone Industrial"). When the target monthly distribution is not achieved during the subordination period, holders of trust units will receive an amount equal to 100% of the total amount of cash set aside by the trustees for distribution in such month. Sunstone Industrial will advance to PIRET cash in an amount equal to its pro-rata share of the monthly cash distribution in exchange for unsecured subordinated notes evidencing such advance, and will be entitled to receive distributions from PIRET equal to such amount. The monthly cash advance from Sunstone Industrial to PIRET will not exceed Sunstone Industrial's proportionate share of the monthly cash distribution during the subordination period. The subordinated notes are non interest bearing and due for repayment at the end of the subordination period.

The Subordination Period will end on the earlier of certain income and distribution targets being satisfied, or certain events occurring, being the earliest of:

- (i) the later of December 31, 2008 and the last day of any fiscal year in which PIRET has reported net income before gains or losses on property sales of at least \$0.18 per Unit and paid cash distributions of at least \$0.30 per Unit;
- (ii) August 31, 2010;
- (iii) the day on which a Determination Event occurs, and
- (iv) the day on which the Conversion Rights (see note 10(b)) are exercised

The Determination Event means the earliest to occur of the following:

- (i) a period of 10 consecutive trading days during which the Market Capitalization exceeds \$200,000,000;
- (ii) a take-over bid by a person acting at arm's length to Sunstone Industrial (or any Affiliate of Associate of or affiliate of Sunstone Industrial or person acting jointly or in concert with Sunstone Industrial) is made for the Units, provided that not less than 51% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or Affiliates or Associates of the offeror) are taken-up and paid for pursuant to the take-over bid;
- (iii) substantially all of the assets of PIRET are sold or PIRET is liquidated; and
- (iv) the Asset Management Agreement (see note 14) is terminated by the Trustees for cause.

From January 1 to March 31, 2008, Sunstone Industrial advanced \$Nil (2007 - \$23,750) to PIRET.

### 4. Unitholders' equity:

The beneficial interests in the Trust are divided into trust units and subordinated units. The Trust, pursuant to an agency agreement dated August 13, 2007, filed a final prospectus August 13, 2007 in each of the provinces of Canada in connection with its initial public offering of 4,750,000 trust units at a price of \$4.00 per unit for total gross proceeds of \$19 million (the "Offering").

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

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## 4. Unitholders' equity (continued):

Sunstone Industrial subscribed for 250,000 subordinated units at a price of \$4.00 per unit for total gross proceeds of \$1 million concurrent with the closing of the offering.

The Trust also granted the agents an over-allotment option to purchase up to an additional 712,500 trust units for a period of up to 30 days after closing of the Offering. To the extent additional trust units are issued pursuant to the over-allotment option, Sunstone Industrial agreed to subscribe for its pro rata share of additional subordinated units.

Except as set out in the Trust Declaration, no trust unit or subordinated unit has any preference or priority over another.

The Trust has entered into a subordination and support agreement with Sunstone Industrial, the subordinated unitholder, pursuant to which Sunstone Industrial has agreed to advance cash to the Trust to permit the continued payment of a certain level of cash distributions on the units until the end of subordination period and in the event that certain financial targets, as defined in the subordination and support agreement, are not met.

Upon completion of the offering, holders of the trust units share in a 95% equity interest ("Unit Percentage Interest") in all distributions and all net assets of the Trust and Sunstone Industrial, as the holder of the subordinated units, shares in a 5% equity interest ("Subordinated Unit Percentage Interest") in all distributions and all net assets of the Trust.

Each trust unit is transferable and, so long as there are subordinated units issued and outstanding, each trust unit represents an equal undivided ownership interest in and to the Unit Percentage Interest of any net assets of the Trust, whether of net income, net realized capital gains or other amounts, and in the Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

Pursuant to the subordination and support agreement, Sunstone Industrial has agreed not to transfer the subordinated units held to others except to its affiliates and associates. Each subordinated unit represents an equal undivided ownership interest in and to the Subordinated Unit Percentage Interest of any net assets of the Trust, whether of net income, net realized capital gains or other amounts, and in the Subordinated Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

The unitholders have the right to require the Trust to redeem their trust units on demand at the prices determined and payable in accordance with the Trust Declaration.

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

## 4. Unitholders' equity (continued):

### (a) Units issued and outstanding:

	Number Authorized	Number issued and outstanding	Carrying value
Initial contribution by settler	1	1	\$ 10
Trust units	unlimited	7,526,263	29,659,799
Subordinated units	unlimited	278,947	1,115,788
		7,805,211	\$ 30,775,597

On August 22, 2007, the Trust sold 4,750,000 Trust Units at a price of \$4.00 per trust unit for total gross proceeds of \$19 million. In conjunction with the Offering, Sunstone Industrial purchased 250,000 subordinated units for additional gross proceeds of \$1 million, for aggregate gross proceeds to the Trust of \$20,000,000. Costs relating to the Offering, including an agency fee of \$1,330,000, are in aggregate of \$1,755,630 excluding an issuance of the units pursuant to an over-allotment option granted to the Agents.

On September 20, 2007, the syndicate of agents excised a portion of the over allotment option granted, resulting in the issuance by PIRET of 550,000 additional trust units at a price of \$4.00 per unit for gross proceeds of \$2,200,000. At the same time, Sunstone Industrial purchased 28,947 subordinated units at \$4.00 per unit for additional gross proceeds of \$115,788. Costs relating to the over allotment, including an agency fee of \$154,000, are in aggregate of \$409,522.

On December 20, 2007, the Trust sold an additional 2,150,000 Trust Units at a price of \$3.80 per trust unit for total gross proceeds of an \$8,170,000. Costs relating to the Offering, including an agency fee of \$571,900, are in aggregate of \$1,151,632.

On January 18, 2008, the syndicate of agents excised a portion of the over allotment option granted, resulting in the issuance by PIRET of 76,263 additional trust units at a price of \$3.80 per unit for gross proceeds of \$289,799. Costs relating to the over allotment, including an agency fee, are in aggregate of \$82,071.

### (b) Conversion rights of subordinated units:

Pursuant to the Trust Declaration, the subordinated unitholders as a class are entitled to convert all but not less than all of their subordinated units into trust units based on the specified ratio. Upon the subordinated unitholders exercising their conversion rights, such subordinated unitholders will own that number of trust units which is equal to the Subordinated Unit Percentage Interest (initially 5%) of all units outstanding after such conversion. Sunstone Industrial did not exercise the conversion rights during the period ended March 31, 2008 or December 31, 2007.

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

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## 4. Unitholders' equity (continued):

### (c) Unit rights, warrants and options:

The Trust may create and issue rights, warrants, options or other instruments or securities to subscribe for fully paid trust units which rights, warrants, options, instruments or securities may be exercisable at such subscription price of prices and at such time as the Trustees may determine. As at March 31, 2008, the Trust did not issue any rights, warrants or options.

### (d) Distributions:

The Trust intends to make monthly distributions to unitholders. Distributions are at the discretion of the Trustees of PIRET. All distributions from the Trust will be made 95% to the trust units and 5% to the subordinated units. During the period ended March 31, 2008, the Trust announced a cash distribution to trust unitholders at \$0.025 per unit per month for total of \$564,470 (2007 - \$627,210). The Trust also announced a cash distribution to subordinated unitholders for total of \$29,709 (2007 - \$33,011).

### (e) Restricted units:

On February 20 2008, the Trustees approved a Restricted Unit Plan for the Trust (the "Plan").

The Plan provides for the grant of restricted units to participants (who may be trustees, key management, key employees or consultants). Each restricted unit will give the participant the right to receive, upon vesting, an amount equal to the fair market value of the units on the payment date, either by way of a cash payment or by the Trust acquiring Units in the open market and distributing them to the participant, or by a combination of the two, at the Trust's option. As distributions are paid on Units, additional restricted units will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the fair market value per Unit on the date of the distribution. As well, the number of restricted units granted to a participant may be increased by a "performance factor" established by the Trustees at the time of grant. Unless otherwise determined by the Trustees, restricted units will vest and become available for redemption on the third anniversary of their being granted, or on a change of control or take over bid for the Trust. Restricted units vested must be redeemed not later than December 31 in the year of vesting. However, the restricted units granted to a participant and any associated distribution restricted units shall not vest, and the participant shall not be entitled to such restricted units or associated distribution restricted units if the performance criteria, which are specified in the grant agreements, are not met. The performance criteria as outlined in the grant agreements stipulates that the restricted units granted on February 20, 2008 shall not vest, and the participants shall not be entitled to and shall not have any interest in such restricted units or associated distribution restricted units, until the Trust's market capitalization reaches \$100,000,000 on the Vesting Date. As at March 31, 2008, the Trust has issued a total of 30,000 restricted units.

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

## 5. Capital management:

The Trust defines capital as the aggregate of unitholders' equity and long-term debt. The Trust's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions pursuant to the Trust Declaration; complies with existing debt covenants; funds its business strategies; and builds long-term unitholder value. The Trust's capital structure is approved by its unitholders as related to the Trust's Declaration and by its board of trustee through its periodic reviews. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

The Trust's Declaration provides for maximum indebtedness level up to 70% of the gross book value. The term "indebtedness" means any obligation of the Trust for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of the Trust arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by the Trust for which the Trust has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The Trust Declaration defines "gross book value" as the book value of the assets of the Trust and its consolidated subsidiaries plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust. The Trust's indebtedness is 61% as at March 31, 2008 (December 31, 2007 – 62%).

The Trust's Declaration also requires it to distribute to its unitholders in each year an amount not less than the Trust's income for the year, as calculated in accordance with the Income Tax Act after all permitted deductions under the Act have been taken. The board of trustee also reviews the cash distribution paid to unitholders on a regular basis. Monthly distribution to trust unitholders is \$0.025 per unit from January 1 to March 31, 2008 (August 22 to December 31, 2007 - \$0.025 per unit per month).

The Trust is in compliance with all restriction during the periods ended March 31, 2008 and December 31, 2007.

The capital structure consisted of the following components at March 31, 2008 and December 31, 2007.

	<b>March 31, 2008</b>	December 31, 2007	Change
Capital			
Mortgages payable (note 8)	\$ <b>43,338,032</b>	\$ 43,546,918	\$ (208,886)
Notes payable (note 9)	<b>23,750</b>	23,750	—
Unitholders' equity (note 10)	<b>26,444,178</b>	26,532,157	(87,979)
Total Capital	\$ <b>69,805,960</b>	\$ 70,102,825	\$ (296,865)

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

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## 6. Risk management:

In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

### (a) Credit risk and economic dependence:

The Trust's exposure to credit risk is influenced mainly by individual characteristics of each tenant.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by its tenants. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process.

The aging trade receivable was:

	<b>March 31, 2008</b>		December 31, 2007
Current	\$ —	\$	93,659
Past due 31-60 days	—		—
Past due 61-90 days	—		—
Past due 90+ days	—		—
	<b>\$ —</b>	<b>\$</b>	<b>93,659</b>

The Trust earned approximately 22% (2007 - 34%) of its revenue from a single tenant.

The mortgage reserve fund is recoverable once certain conditions are met, but no later than the maturity of the mortgages. The Trust does not believe that there is any material credit risk associated with the mortgage reserve fund.

### (b) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments. Mortgages payable bear interest at fixed rates, therefore the Trust is not exposed to significant interest rate risk.

### (c) Liquidity risk:

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit PIRET's ability to vary its portfolio promptly in response to changing economic or investment conditions. If PIRET were required to liquidate a real property investment, the proceeds to PIRET might be significantly less than the aggregate carrying value of such property

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Periods Ended March 31, 2008 and March 31, 2007

Unaudited – prepared by management

## 6. Risk management (continued):

The terms and conditions of outstanding mortgages were as follows:

MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	March 31, 2008	December 31, 2007
			Carrying value	
Mabe	5.677%	2016	\$ 8,317,804	\$ 8,348,270
Team Tube	5.480%	2011	13,755,429	13,830,599
De Baets	5.500%	2011	1,690,598	1,699,431
Tornado	5.670%	2012	2,774,729	2,793,618
Eurospec	5.382%	2015	4,784,607	4,800,000
Shanahan 57th	5.926%	2018	5,234,467	5,250,000
Shanahan portfolio - AB	5.754%	2012	5,423,871	5,460,000
Shanahan portfolio - SK and MB	6.140%	2008	1,356,527	1,365,000
<b>Total mortgages payable</b>			<b>\$ 43,338,032</b>	<b>\$ 43,546,918</b>

The carrying value of the mortgages payable is the same as the face value.

## 7. Fair value:

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, the carrying values approximate their fair values due to their short-term nature. The fair value of the mortgage reserve fund, mortgages payable and notes payable are based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions approximate their carrying values.

	March 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage reserve fund	\$ 788,995	\$ 760,669	\$ 783,622	\$ 752,953
Mortgages payable	43,338,032	44,926,465	43,546,918	43,737,350
Notes payable	23,750	23,750	23,750	23,750

# PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

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Unaudited – prepared by management

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## 8. Related party transactions:

PIRET is related to Sunstone Advisors (Canada) Inc., Sunstone Realty Advisors (2005) Inc., Sunstone Realty Advisors (2006) Inc., Sunstone Opportunity Fund (2005) Limited Partnership and Sunstone Opportunity (2007) Realty Trust by virtue of having officers and directors in common.

Sunstone Realty Advisors (2006) Inc. paid \$Nil (2007 - \$24,785) in offering costs and \$Nil (2007 - \$175,000) in property acquisition costs on behalf of PIRET. All outstanding amounts were paid and there is nothing owed as at March 31, 2008.

Sunstone Realty Advisors (2005) Inc. paid \$Nil (2007 - \$225,000) in property acquisition costs on behalf of PIRET. \$225,000 is still outstanding as at March 31, 2008.

Sunstone Advisors (Canada) Inc. paid \$Nil (2007 - \$195,000) in property acquisition costs on behalf of PIRET. All outstanding amounts were paid and there is nothing owed as at March 31, 2008.

Sunstone Opportunity (2007) Realty Trust paid \$Nil (2007 - \$277,500) in property acquisition costs on behalf of PIRET. All outstanding amounts were paid and there is nothing owed as at March 31, 2008.

Therefore, as at March 31, 2008, \$225,000 (December 31, 2007 - \$897,285), is included in accounts payable and accrued liabilities.

PIRET purchased its initial portfolio income producing properties from Sunstone Opportunity Fund (2005) Limited Partnership in 2007.

PIRET has entered an Asset Management Agreement with Sunstone Industrial Advisors Inc. ("Sunstone Management") whereby Sunstone Management will provide asset management, administrative and reporting services to PIRET. Under the Asset Management Agreement, PIRET will reimburse Sunstone Management for all reasonable expenses associated with the operation of PIRET, including any third party costs which are reasonably incurred by Sunstone Management on behalf of PIRET, but not personnel costs incurred by Sunstone Management in managing PIRET. During the period ended March 31, 2008, Sunstone Management charged PIRET \$Nil (2007 - \$Nil) pursuant to the Asset Management Agreement.

## 9. Segment disclosures:

The Trust operates in one business segment, being the ownership and operation of a portfolio of income producing industrial properties in Canada. During the period ended March 31, 2008, PIRET held properties located in six provinces: British Columbia, Alberta, Ontario, Quebec, Saskatchewan and Manitoba.

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Notes to Financial Statements

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Unaudited – prepared by management

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## 10. Income taxes:

Pursuant to the declaration of the Trust, the Trustees are required to distribute all taxable income to the unitholders and to deduct such distributions for income tax purposes each year so as to not be liable for income tax under Part I of the Income Tax Act (Canada). Furthermore, the Trust intends to operate in such a manner so as to qualify as a “mutual Fund Trust” and a “real estate investment trust” pursuant to that act. Consequently, no provision for income taxes is required on income earned by the Trust.

At March 31, 2008, the tax bases exceed the reported amounts of the Trust’s assets and liabilities by \$2,787,688 (December 31, 2007 - \$1,290,300).