



Annual Information Form
For the year ended December 31, 2012

April 16, 2013

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CERTAIN REFERENCES

In this annual information form (“AIF” or “Annual Information Form”), unless the context otherwise requires, references to “we”, “us”, “our” or similar terms refers to Pure Multi-Family REIT LP (“Pure Multi” or the “REIT LP”) either alone or together with its subsidiaries.

FORWARD-LOOKING INFORMATION

Certain information in this AIF contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied herein relating to Pure Multi’s objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements can generally be identified by words such as “outlook”, “believe”, “expect”, “may”, “anticipate”, “should”, “intend”, “estimates” and similar expressions.

Forward-looking statements are provided for the purpose of presenting information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: prices of Units; liquidity; capital expenditure requirements; credit risk and tenancy; interest rate and other debt related risk; tax risk; ability to access capital markets; competition for real property investments; environmental matters; changes in legislation and tax treatment and indebtedness of Pure Multi. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, competition for real property investments, the availability of new competitive supply of real estate investments, conditions in the U.S. real estate market, Pure Multi’s ability to maintain occupancy at its Properties, tenant defaults, changes in interest rates, changes in governmental regulations and taxation, and Pure Multi’s ability to obtain adequate insurance and financing.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to Pure Multi, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of April 16, 2013 and Pure Multi assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

NOTE REGARDING FINANCIAL INFORMATION

This AIF should be read in conjunction with our management’s discussion and analysis and audited financial statements and the notes thereto, available on SEDAR at www.sedar.com. Unless otherwise indicated, the statistical and financial data contained in this AIF are presented as at December 31, 2012.

NON-IFRS MEASURES

In addition to financial measures prescribed by International Financial Reporting Standards (“IFRS”), certain non-IFRS measures are used in this AIF. The REIT LP uses certain non-IFRS financial measures, which include funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”). These terms are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate businesses. The REIT LP believes that AFFO is an important measure of economic performance and is indicative of the REIT LP’s ability to pay distributions, while FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

“FFO” is defined as net income in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (v) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and noncontrolling interests calculated to reflect FFO on the same basis as consolidated properties.

“AFFO” is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for any differences resulting from recognizing property revenues on a straight-line basis, and (iii) deducting a reserve for normalized maintenance capital expenditures and leasing costs, as determined by the REIT LP. Other adjustments may be made to AFFO as determined by the Managing GP in its discretion.

“NOI” is defined as revenue after operating expenses have been deducted and adjusting for the NOI of equity accounted entities, joint ventures and non-controlling interests.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS, as indicators of the REIT LP’s performance. The REIT LP’s method of calculating FFO, AFFO and NOI may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

PRESENTATION OF INFORMATION

Except as otherwise stated in this AIF, all dollar amounts in this AIF, including the price per Unit, are stated in U.S. dollars.

Financial Information of the REIT LP is prepared in accordance with IFRS.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2012, unless otherwise indicated.

GLOSSARY OF TERMS

Certain terms and abbreviations used in this AIF are defined below.

Act means the *Limited Partnerships Act* (Ontario), as amended.

Affiliate or **Associate** means, where used to indicate a relationship with any person,

- a) a partner, other than a Unitholder, of that person,
- b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as Director or in a similar capacity,
- c) an entity in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the entity, or
- d) a relative, including the spouse, of that person or a relative of that person's spouse, where the relative has the same home as that person,

and for the purpose of this definition spouse includes a man or woman not married to that person but who is living with that person and has lived with that person as husband or wife for a period of not less than 6 months.

Asset Management Agreement means the agreement made between the REIT LP and the Managing GP pursuant to which Managing GP will provide certain advisory, management and administrative services to the REIT LP, as such agreement is amended, restated and/or supplemented from time to time.

Audit Committee means the committee of Directors established pursuant to the REIT LP Agreement.

Auditors means the firm of chartered accountants appointed as the auditors of the REIT LP from time to time in accordance with the provisions hereof and, currently, means KPMG LLP, Chartered Accountants.

Business Day means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

CDS means The Canadian Depository for Securities Limited and its successors.

Class means a class of units of the REIT LP.

Class B Unit means a Class B Unit of the REIT LP and includes a fraction of a Class B Unit of the REIT LP and for greater certainty excludes a Unit.

Class B Unit Percentage Interest means, at any particular time, that percentage interest in and to all of the income or capital of the REIT LP which is the percentage determined by the following formula:

$$A \div (A + B)$$

where:

A is the total number of Class B Units outstanding at the particular time multiplied by the Specified Ratio; and

B is the total number of Units outstanding at the particular time;

and, for greater certainty, where A is nil the Class B Unit Percentage Interest is zero.

Class B Unitholder means at any time a person that is a limited partner or the Managing GP and who is the beneficial owner of one or more Class B Units.

Common Shares means common shares in the capital of the US REIT which are issued to the REIT LP.

Conversion means the re-designation of Class B Units into Units upon the exercise of the Conversion Rights.

Conversion Rights means the right or obligation of the Class B Unitholders to cause the REIT LP to re-designate all their Class B Units into Units at the Specified Ratio, as set forth in the REIT LP Agreement.

Determination Event means the earliest to occur of the following:

- (a) a period of 10 consecutive trading days during which the Market Capitalization exceeds \$300,000,000;
- (b) a take-over bid by a person acting at arm's length to the Class B Unitholders and the Managing GP (or any Affiliate or Associate of Class B Unitholders and the Managing GP or person acting jointly or in concert with Class B Unitholders and the Managing GP) 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; and
- (c) substantially all of the assets of the REIT LP are sold or the REIT LP is liquidated.

Director means the person(s) who have been elected or appointed as directors of the Governing GP from time to time.

Distributable Cash means, for any period, the aggregate of all amounts received by the REIT LP in such period, whether by way of dividends, interest or otherwise, from and in respect of its direct and indirect investment in the Securities, including its investment in any Subsidiaries, less reasonable reserves determined by the Governing GP to be necessary to operate the affairs of the REIT LP in a prudent and businesslike manner and less Taxes, if any, payable by the REIT LP.

Distribution Date means, in respect of a Distribution Period, no later than the 15th day of the immediately following month, or if such day is not a Business Day, the next following Business Day, and such other dates determined from time to time by the Governing GP.

Distribution Period means each calendar month from and including the first day thereof and to and including the last day thereof (whether or not such days are Business Days), provided that, in connection with an offering of securities, the first Distribution Period will begin on the closing date of such offering and will end on the last day of the first complete calendar month following the such closing date.

Exchange means TSX Venture Exchange Inc.

Fiscal Year means each fiscal year of the REIT LP, as determined by the Governing GP.

Governing GP means Pure Multi-Family REIT (GP) Inc., a British Columbia corporation, in its capacity as the governing general partner of the REIT LP, or any person which is from time to time admitted as the governing general partner of the REIT LP in accordance with the terms of the REIT LP Agreement.

Gross Book Value means, at any time, the book value of the assets of the REIT LP and its consolidated Subsidiaries, as shown on its then most recent consolidated statement of assets, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus 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 REIT LP shown thereon or in the notes

thereto, or if approved by a majority of the Directors at any time, the appraised value of the assets of the REIT LP and its consolidated Subsidiaries may be used instead of book value.

IFRS means International Financial Reporting Standards.

Independent Director means a Director who, in relation to the REIT LP is independent within the meaning of Multilateral Instrument 52-110 – Audit Committees and is not related within the meaning of the Tax Act, as replaced or amended from time to time.

Initial Period means the period commencing on the closing of the IPO and ending on the earlier of:

- (a) the occurrence of a Determination Event; and
- (b) the third anniversary of the closing of the IPO.

IPO means Pure Multi's initial public offering of 10,000,000 Units at a price of \$5.00 per Unit for gross proceeds of \$50,000,000, pursuant to a prospectus dated July 3, 2012, which closed July 10, 2012.

joint ventures means an arrangement between the REIT LP and one or more other persons pursuant to which the REIT LP, directly or indirectly, conducts an undertaking and in respect of which the REIT LP may hold its interest jointly or in common or in another manner with others.

Manager means a person who provides advisory, management services to the REIT LP pursuant to a written contract, including the Managing GP of its permitted assigns under the Asset Management Agreement.

Managing GP means Pure Multifamily Management Limited Partnership, a British Columbia limited partnership, in its capacity as the managing general partner of the REIT LP, or any person which is from time to time admitted as the managing general partner of the REIT LP in accordance with the terms of the REIT LP Agreement.

Market Capitalization means the 20 day weighted average market price of the Units on the principal market on which the Units are quoted for trading multiplied by the aggregate number of outstanding Units.

Net Income or **Net Loss** means, for accounting purposes, the net income or net loss of the REIT LP for a Fiscal Year as determined in accordance with IFRS.

Nomination and Governance Committee means the committee of the Governing GP established pursuant to the REIT LP Agreement.

October 2012 Offering means Pure Multi's bought deal offering in October, 2012 of 5,589,000 Units, inclusive of 729,000 Units issued pursuant to the partial exercise of the over-allotment option, at a price of \$5.15 per Unit, for aggregate gross proceeds of \$28,783,350.

offeror means a person, other than an agent, who makes a take-over bid, and may include two or more persons who, directly or indirectly:

- (a) make a take-over bid jointly or in concert; or
- (b) intend to exercise jointly or in concert voting rights attached to the Units for which a take-over bid is made.

Partners means the Governing GP, the Managing GP, the Unitholders and the Class B Unitholders.

person means and includes any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, joint stock company, association, trust, trust company, bank, pension fund, Director, executor, administrator or other legal personal representative, regulatory

body or agency, government or governmental agency, authority or other organization or entity, whether or not a legal entity, however designated or constituted.

PIRET means Pure Industrial Real Estate Trust, an unincorporated, open ended real estate investment trust governed by the laws of British Columbia.

Plans means, collectively, trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), registered education savings plans (“**RESP**”), registered disability savings plans, deferred profit sharing plans and tax-free savings accounts (“**TFSA**”), each as defined in the Tax Act.

Property means a direct or indirect interest in a multi-family real estate property, including an existing multi-family real estate property or a multi-family real estate property which is newly developed, acquired, developed, owned and operated from time to time by the US REIT or other Subsidiary of the REIT LP.

Property Manager means a person who provides property management services to the US REIT or its Subsidiaries pursuant to a written contract, which may include the Managing GP or its Affiliates or Associates. The initial Property Manager is Sunstone Multi-Family Management Inc.

Property Management Agreement means the agreement made between the US REIT and the Property Manager pursuant to which the Property Manager will provide certain property management services to the US REIT in respect of the Properties.

Proportionate Share, in respect of each Class A Unitholder and Class B Unitholder, as the case may be, means that fraction which, as of the date of such determination:

- (a) has as its numerator the number of Class A Units or Class B Units, as the case may be, held by such Unitholder; and
- (b) has as its denominator the aggregate number of Class A Units or Class B Units, as the case may be, outstanding.

Pure Multi or the **REIT LP** means the Pure Multi-Family REIT LP.

real property means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, Joint venture or otherwise), any interests in any of the foregoing and the securities of trusts, corporations or partnerships the sole or principal purpose and activity of which is to invest in, hold and/or deal in real property.

Record Date means the date established by the Governing GP for determining:

- (a) the identity of Unitholders entitled to notice of any meeting of Partners or entitled to consent to a REIT LP action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Partners; or
- (b) the identity of Unitholders entitled to receive any report or distribution;
- (c) and unless otherwise specified by the Governing GP a Record Date shall mean, as of any particular Business Day, the opening of business on such Business Day;

REIT LP Agreement means the agreement made as of May 8, 2012 between the Governing GP, the Managing GP and all persons who become Unitholders establishing and governing the REIT LP.

ROC Share means a share in the capital of the US REIT which is designated within such capital as a ROC Share and is issued to the REIT LP.

Securities means any shares, units, partnership interests, joint venture interests or other securities of persons which hold real property or interests therein.

Specified Ratio means, at any particular time, that ratio which is determined by the following formula:

$$(A \times B \div (100 - B)) \div C$$

where:

A is the lesser of:

A. the total number of Units outstanding at the Specified Time, not calculated on a fully-diluted basis, which for greater certainty shall not include Units issued upon the conversion of outstanding convertible debentures and other convertible securities until such time as they are converted, and

B. where the Specified Time is immediately after the occurrence of an event described in paragraph (i) of the definition of Determination Event, an number equal to \$300,000,000 divided by the weighted average trading price of the Units during the 10 consecutive trading days during which the Market Capitalization first exceeded \$300,000,000;

B is equal to the product obtained when 5 is multiplied by the quotient obtained when the number of Class B Units referred to in (iii) is divided by the total number of Class B Units originally issued by the REIT LP; and

C is the total number of Class B Units outstanding at the particular time.

Specified Time means, at any particular time:

- (a) where no Determination Event has occurred, the time that is immediately prior to the particular time; and
- (b) where a Determination Event has occurred, the time immediately prior to the occurrence of the Determination Event.

Special Resolution means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for that purpose at which two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 5% of the number of votes attached to Units then outstanding and passed by the affirmative votes of the holders of more than 75% of the Units represented at the meeting and voted on a poll upon such resolution.

Subsidiary includes, with respect to any person, a company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity.

Sunstone means Sunstone Realty Advisors Inc., a British Columbia corporation.

Sunstone Group means Sunstone, Darren Latoski, Stephen Evans and the various corporations, limited partnerships, trusts, joint ventures and other entities which are Associated with Sunstone, as the context requires.

take-over bid has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended from time to time.

Target Distribution means an amount equal to \$0.03 per Unit per month, multiplied by the number of Units outstanding as at the end of the month and, where such Units were issued during a particular month, prorated for the number of days in the month during which those Units were issued and outstanding.

Tax Act means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

Taxable Income, Taxable Loss, Capital Gain or Capital Loss means, for income tax purposes, the income, loss, capital gain or capital loss of the REIT LP determined under all applicable income tax statutes and regulations after applying the following principles, subject to a determination by the Governing GP that such an application generally would not be in the best interest of Unitholders:

- (a) deductions in arriving at income, loss, capital gain or capital loss for tax purposes will be taken at the earliest time and to the maximum extent permitted by applicable income tax statutes and regulations; and
- (b) the recognition of income for tax purposes will be deferred to the maximum extent permitted by applicable income tax statutes and regulations.

Taxes means all forms of taxation, whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or other reference and statutory, governmental, national, federal, state, provincial, local governmental or municipal impositions, duties, contributions and levies (including social security contributions, national insurance contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any person, and all penalties, charges, costs and interest relating thereto.

Tipton Group means Tipton Group, Inc., a Texas corporation.

Transfer Agent means such company as may from time to time be appointed by the REIT LP to act as registrar and transfer agent of the Units, together with any sub-transfer agent duly appointed by the Transfer Agent.

Unitholder means at any time a person that is a limited partner in the REIT LP and who is the beneficial owner of one or more Class A Units.

Unit means a Class A Unit of the REIT LP and includes a fraction of a Class A Unit of the REIT LP and for greater certainty excludes a Class B Unit.

Unit Percentage Interest means, at any particular time, that percentage interest in and to all of the income or capital of the REIT LP which is determined as 100% less the Class B Unit Percentage Interest.

US REIT means Pure US Apartments REIT Inc., a Maryland corporation.

Voting Agreement means an agreement made between the REIT LP and Sunstone Multi-Family Investments Inc. with respect to the manner in which Sunstone Multi-Family Investments Inc. will exercise votes on the shares of the Governing GP.

OUR STRUCTURE

Pure Multi-Family REIT LP

Pure Multi is a limited partnership established under the Act to invest in high quality multi-family real estate properties in major markets in the U.S. Pure Multi was formed pursuant to the terms of the REIT LP Agreement on May 8, 2012. See “Summary of the REIT LP Agreement”. The principal and head office of Pure Multi is located at Suite 910, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Pure US Apartments REIT Inc.

The US REIT is a corporation formed pursuant to the Maryland General Corporation Law on April 25, 2012 under file number 1000362003206366. The head office and address for service of the US REIT is located at 6529 Preston Rd., Suite 100 Plano, Texas. The US REIT’s principal office in the State of Maryland is c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland. The US REIT was established, among other things, for the purposes of acquiring, owning and operating Properties. In order to accommodate the expected requirements of lenders and to segregate any risks of ownership between Properties, the US REIT may have each of the Properties owned by a separate underlying limited partnership established and owned by the US REIT.

Pure Multi-Family REIT (GP) Inc.

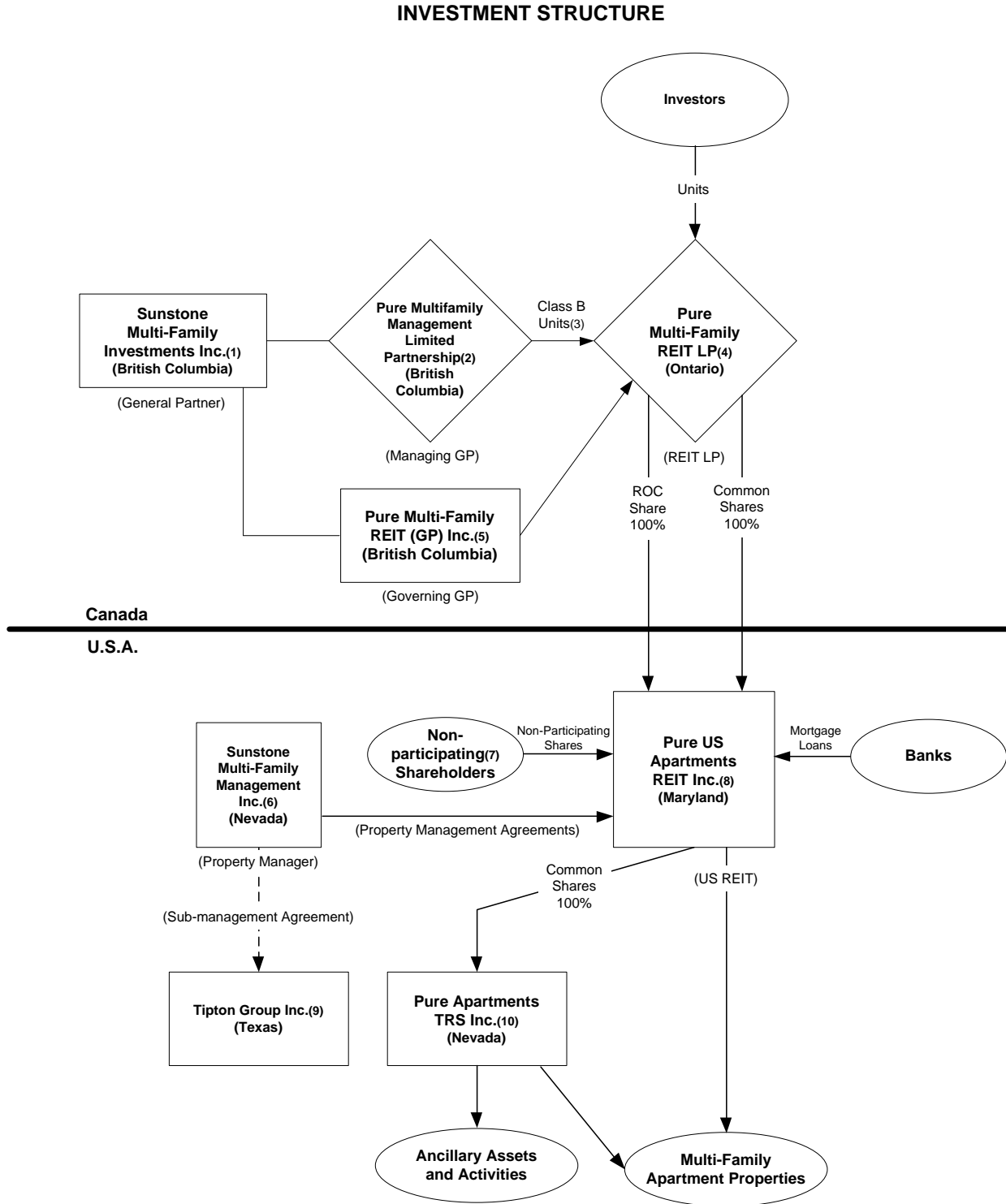
The Governing GP is a corporation incorporated under the *Business Corporations Act* (Canada) on April 30, 2012. The Governing GP’s head office is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2 and its registered office is at 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1. The Governing GP is the governing general partner of the REIT LP and has the sole responsibility and authority for the governance of the REIT LP. The Governing GP has a board consisting of five directors, the majority of whom are independent.

Pure Multifamily Management Limited Partnership

The Managing GP is a British Columbia limited partnership established on April 24, 2012 under number LP581764. The Managing GP’s head office is located at 910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2 and its registered office is at 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1. The Managing GP is the managing general partner of the REIT LP, giving the REIT LP access to the Managing GP’s experienced management team and extensive network of relationships in the U.S. multi-family real estate market.

Organizational Structure

The following chart illustrates our structure:



Notes:

- (1) Sunstone Multi-Family Investments Inc. is a British Columbia corporation, the shareholders of which are Darren Investments Inc. and Triple E Investments Ltd. Darren Latoski is the sole director and officer of Darren Investments Inc. Stephen Evans is the sole director and officer of Triple E Investments Ltd. Messrs. Latoski and Evans are the sole directors and officers of Sunstone Multi-Family Investments Inc.
- (2) Pure Multifamily Management Limited Partnership is a British Columbia limited partnership established on April 24, 2012 under number LP581764. The limited partners of the Managing GP are Darren Investments Inc., Triple E Investments Ltd. and select employees of the Sunstone Group. Darren Latoski is the sole director and officer of Darren Investments Inc. Stephen Evans is the sole director and officer of Triple E Investments Ltd. The General Partner of the Managing GP is Sunstone Multi-Family Investments Inc.
- (3) On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units and paid cash consideration of \$5.00 per Class B Unit for aggregate proceeds to the REIT LP of \$1,000,000. The Class B Units will not be listed for trading.
- (4) The REIT LP is an Ontario limited partnership.
- (5) Pure Multi-Family REIT (GP) Inc. is a British Columbia corporation, the sole shareholder of which is Sunstone Multi-Family Investments Inc. The initial directors of the Governing GP are Darren Latoski, Stephen Evans, Robert King, James Redekop and Douglas Scott. Pursuant to the Voting Agreement, Sunstone Multi-Family Investments Inc. has agreed that any voting rights with respect to the Governing GP will be voted in favour of the election of directors approved by the Unitholders of the REIT LP.
- (6) Sunstone Multi-Family Management Inc. is a Nevada corporation, the shareholders of which are Darren Investments Inc., Triple E Investments Ltd. and Bryan Kerns. Darren Latoski is the sole director and officer of Darren Investments Inc. Stephen Evans is the sole director and officer of Triple E Investments Ltd. Messrs. Latoski, Evans and Kerns are the sole directors and officers of the Property Manager.
- (7) In order to satisfy Code requirements to be treated as a REIT, the US REIT, on January 18, 2013, issued its Class B Shares to 125 U.S. resident investors.
- (8) Pure US Apartments REIT Inc. is a Maryland corporation incorporated on April 25, 2012. The directors and officers of the US REIT are Darren Latoski, Stephen Evans and Robert King.
- (9) The Property Manager will contract with the Tipton Group of Dallas, Texas for the provision of property management services to the US REIT in respect of the Properties. Bryan Kerns, a director and indirect shareholder of the Property Manager, is the sole shareholder, director and officer of Tipton Group Inc.
- (10) Pure Apartments TRS Inc., if necessary, will be incorporated as a Nevada corporation, the sole shareholder of which will be the US REIT. Stephen Evans and Bryan Kerns are expected to be the directors and officers of Pure Apartments TRS Inc., if necessary.

GENERAL DEVELOPMENT OF OUR BUSINESS

Pure Multi is a limited partnership formed under the Act to invest in quality multi-family real estate properties in major markets in the U.S. Pure Multi was established on May 8, 2012 by the Managing GP and the Governing GP pursuant to the terms of the REIT LP Agreement. Pure Multi is currently the only publically traded vehicle in Canada which offers investors exclusive exposure to U.S. multi-family real estate assets.

On May 30, 2012, Pure Multi issued 200,000 Class B Units at a price of \$5.00 per Class B Unit for aggregate gross proceeds of \$1,000,000.

On July 10, 2012, Pure Multi completed its IPO of 10,000,000 Units at a price of \$5.00 per Unit, for aggregate gross proceeds of \$50,000,000.

Pure Multi's Units were listed for trading on the Exchange on July 9, 2012 under the symbol "RUF.U", and commenced trading at the opening of business on July 10, 2012.

On, July 18, 2012, Pure Multi completed the issuance of 1,500,000 Units at a price of \$5.00 per Unit for aggregate gross proceeds of \$7,500,000 pursuant to the exercise in full of the over-allotment option in connection with the IPO.

Pure Multi used the proceeds of the IPO, including the over-allotment option, to partially fund the following multi-family Properties:

Property	Purchase Price
3099 Parham Drive, Grand Prairie, Texas	\$8,378,785
4924 Sigmond Drive, Arlington, Texas	\$13,580,133
8605 North MacArthur Boulevard, Irving, Texas	\$22,600,000
2004 and 2015 Randy Snow Road, Arlington, Texas	\$24,569,000
3560 – 3600 Alma Road, Richardson, Texas	\$52,500,000
	\$ 121,627,918

On October 18, 2012, Pure Multi completed the October 2012 Offering of 5,589,000 Units, inclusive of 729,000 Units issued pursuant to the exercise in full of the over-allotment option, at a price of US\$5.15 per Unit for total gross proceeds of \$28,783,350.

The net proceeds from the October 2012 Offering, together with the proceeds from the over-allotment option, were used to partially fund the acquisition of a multi-family Property located at 1401 Highway 360, Euless, Texas, which completed on October 31, 2012 for a total purchase price of \$49,350,000, as described in Pure Multi's prospectus dated October 12, 2012, available on SEDAR at www.sedar.com.

For summaries of the acquisition of Pure Multi's Properties please see "Our Portfolio" below.

RECENT DEVELOPMENTS

On March 15, 2013, Pure Multi completed the acquisition of a multi-family Property located at 5769 Belt Line Road, Dallas, Texas, for a purchase price of \$17,500,000.

BUSINESS OF THE REIT LP

Pure Multi's focus is to invest in quality multi-family real estate properties in major markets in the U.S. Pure Multi was established, among other things, for the purposes of: (a) acquiring Common Shares and the ROC Share issued by the US REIT; (b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of the REIT LP and making distributions to Unitholders; and (c) reinvesting income and gains of Pure Multi and taking other actions besides the mere protection and preservation of Pure Multi's Property.

Long-Term Investment Approach

Pure Multi's long-term objectives are to make investments in the US REIT or other subsidiary entities for the purpose of indirectly:

- generating stable and growing cash distributions on a tax-efficient basis from investments in multi-family real estate properties in major markets in the U.S.;
- enhancing the value of the REIT LP's assets and maximizing the long-term value of the Properties through active management; and
- expanding its asset base and increase its AFFO through an accretive acquisition program and improvements of the Properties through targeted value added capital programs.

By remaining focused on these key objectives, Pure Multi intends to achieve long-term appreciation in the value of the Units.

In order to achieve its long-term objectives, Pure Multi intends to pursue the following strategies: the Acquisition Strategy, the Financing Strategy and the Portfolio Management Strategy, as discussed below.

Acquisition Strategy

The REIT LP's core strategy is to invest in quality multi-family real estate properties in major markets in the U.S. The Managing GP believes that superior returns can be achieved by targeting such properties as a result of the stable income provided by the multi-family property market in the U.S., the abundant supply of such properties at attractive price levels, and the emerging recovery of the U.S. economy as a whole. Further, the Managing GP believes that the opportunity exists to acquire multi-family properties at attractive prices with in-place rental rates which were reduced during the recent economic downturn, providing the potential for strong growth in rental rates. The REIT LP intends to cause the US REIT to acquire properties in clusters and asset sizes which will ensure regional economies of scale and geographic diversification in its portfolio. Acquisitions will be primarily in the \$10 to \$30 million range per property. The REIT LP will generally focus on acquiring multi-family properties which were constructed or refurbished in 1990 or later and which are located in markets with ongoing employment growth, which have exhibited ongoing strong occupancy, and which have the potential to create additional value. The REIT LP intends to cause the US REIT to acquire properties that are in good to superior physical condition with little to no deferred maintenance. The execution of this strategy will be consistently reviewed and will also include engaging in dispositions of properties and optimizing the REIT LP's capital structure.

Financial Strategy

The REIT LP will operate the REIT LP's investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure that the REIT LP maintains a prudent capital structure and conservative financial profile. The REIT LP Agreement provides that the REIT LP may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT LP would be more than 70% of Gross Book Value. Five, seven and ten year fixed rate amortizing debt will primarily be used, with interest only and short term floating rate loans to be used in appropriate circumstances. The REIT LP intends to use the current favourable debt and interest rate environment to prudently manage the overall financial leverage within a range of 55% to 65% of Gross Book Value, in order to maximize its return on equity while minimizing financial risk to the REIT LP and maintaining stable cash flows. The REIT LP's preference will be to ultimately stagger the REIT LP's debt maturities to mitigate the REIT LP's interest rate risk and limit re-financing exposure in any particular period. In addition, as a publicly-traded entity, the Managing GP expects that the REIT LP will benefit from having improved access to capital to assist in executing its growth strategy.

Portfolio Management Strategy

Pure Multi's portfolio management strategy will focus on maximizing cash flow from the Properties, through maximizing occupancy and average monthly rent after taking into account local market conditions, as well as effectively and efficiently managing its operating costs as a percentage of total revenues. The Sunstone Group will provide asset management and has assigned the property management services in relation to its Properties to the Tipton Group. Pure Multi's experienced management team plans to capture the economic upside potential in each individual property through strategic management, upgrades to each property where warranted and increasing rents as the market allows.

Asset Management

Pursuant to the Asset Management Agreement, the Managing GP will provide asset management, administrative and reporting services to the REIT LP as its managing general partner. The Managing GP will provide these services to the REIT LP through the provision of qualified senior management. In particular, the Managing GP will provide the services of Messrs. Latoski and Evans and the services of the Managing GP's Chief Financial Officer, Vice President, financial analyst and director of investor relations. These individuals will devote the amount of time necessary to the management of the REIT LP in order to carry out its business objectives.

The Asset Management Agreement also requires the Managing GP to provide the REIT LP with support services consisting of office space and equipment and the necessary clerical and secretarial personnel for the administration of its day-to-day activities, at no cost. The Asset Management Agreement may be terminated by the REIT LP at any time upon the occurrence of certain events of default and at any other time upon not less than 60 days' notice without bonus or penalty. In lieu of the fees typically associated with a third party asset management agreement, the Managing GP will only be entitled to a reimbursement of any reasonable costs and expenses (including legal and audit costs but excluding personnel costs) that it incurs providing asset management services to the REIT LP and will not be entitled to any other remuneration or compensation for its services.

Property Management

The Property Manager will provide property management services to the US REIT in respect of each of the Properties pursuant to the Property Management Agreement. The Property Manager will provide on-site supervision and day-to-day management of each of the Properties, including leasing, budgeting, repairs and maintenance, banking and the necessary administrative and related services. In consideration of such services, the US REIT will pay the Property Manager fees equal to the property management fee payable in the market in which each Property is located, which is expected to range between 3% and 4% of the gross revenue from the respective Property. The Property Management Agreement is for an initial term of five years and will be automatically renewed for successive one year terms unless either party exercises the right to terminate the agreement at the end of any current term on 90 days' notice. The Property Management Agreement may also be terminated by the US REIT in respect of a Property which is sold and may be terminated by either party for cause upon not less than 30 days' notice. The Property Manager has subcontracted the Tipton Group, Texas for the provision of property management services to the US REIT in respect of the Properties. Bryan Kerns, a director and indirect shareholder of the Property Manager, is also the sole shareholder, director and officer of Tipton Asset Group, Inc.

Internalization of Management

When the US REIT's portfolio of Properties reaches a sufficient size to support internal property management, the US REIT intends to internalize property management of the Properties through the acquisition at fair market value of the Property Manager or of the then existing Property Management Agreement. When the REIT LP's assets reach a sufficient size to support internal asset management, and upon the occurrence of a Determination Event, the REIT LP intends to terminate the Asset Management Agreement and internalize asset management at no cost to the REIT LP.

Development Strategy

The Managing GP believes that there will be development opportunities for multi-family real estate properties in the U.S. as the economy continues to recover. The Sunstone Group is well-positioned to identify development opportunities and to carry out and complete new developments. Once developed, a new multi-family real estate property may be acquired from the Sunstone Group to become part of the REIT LP's portfolio. The REIT LP Agreement provides that the REIT LP may, with the prior approval of the Governing GP, invest by way of loan advances to a sidecar fund, in which the REIT LP would advance funds for the development of new multi-family real estate properties, with rights to acquire such properties on pre-agreed terms.

For a more detailed description of the investment strategies of the REIT LP, see "Business and Growth Strategies" and "Investment Guidelines and Operating Policies".

Acquisition Process

The Managing GP implements a defined process that enables the efficient and effective management of the due diligence and acquisition process. This process has five primary steps: (i) identifying a property; (ii) pre-acquisition due diligence; (iii) acquisition due diligence; (iv) closing of the acquisition; and (v) post-closing analysis.

Identifying a Property

Pure Multi prefers to acquire multi-family properties other than pursuant to an auction process, whenever practicable. While it may participate in a limited number of auctions, Pure Multi will not become involved in the bidding wars that can result. We focus instead on acquiring assets through privately negotiated transactions.

Sourcing privately negotiated transactions comes from management, Directors and network advisors, each of whom has a broad external network, including real estate brokers, developers, investment bankers, lawyers, and other private equity investors.

Potential target properties are first reviewed to ensure they are consistent with the acquisition strategy and can be acquired at a reasonable purchase price. The Managing GP's management polls its network, including Directors, to discuss the suitability of potential acquisitions and their fit with the Acquisition Strategy. Significant consideration is given to the stability of the cash flow, growth potential and early accretion to cash available for distribution.

Pre-Acquisition Due Diligence

Prior to entering into formal discussions with a broker of a target multi-family asset, the Managing GP's management conducts initial due diligence on the property and its tenant(s) by reviewing industry research on the geographic location of the asset including economic and socio-economic growth factors, the history of the property, its current management and occupancy, and conferring with Pure Multi's network on industry fundamentals and related information. The Managing GP needs to ensure that the target property possesses long-term viability in order to sustain long-term rental revenue.

Acquisition Due Diligence

Upon completion of the pre-acquisition due diligence and the execution of a conditional purchase agreement, the Managing GP's management prepares a due diligence schedule which includes internal and external professionals and advisors. The Managing GP's management commissions accredited, third-party environmental reports, building condition assessment reports, appraisals, site surveys and legal searches. Upon receipt of the reports, the Managing GP's management reviews the documents and if the results are satisfactory, proceeds with securing financing for the asset.

Closing of the Acquisition

The Directors are kept apprised of transactions on an ongoing basis throughout the due diligence process. The Managing GP's management then makes a presentation to the Directors. Only after review and approval by the Directors is the Managing GP's management authorized to proceed with the closing process and the ultimate acquisition of the property. During the closing period, Pure Multi and the Managing GP, along with the vendors, lawyers, and other intermediaries, work in frequent communication to ensure a successful and timely closing.

Post-Closing Management

Post-closing, the Managing GP's property management focuses on maintaining strong tenant relations, monitoring expenses and looking for value-add opportunities at each property. The Managing GP's experienced management team plans to capture the economic upside potential in each individual property through strategic management, upgrades to the property and re-leasing, if applicable.

Directors, Management and Network Advisors

The Directors and the Managing GP's management team have a breadth of experience in real estate, corporate finance, private equity and asset management. The team is well connected in U.S. markets with ties to business owners in a variety of sectors. See "Directors and Management".

Governmental Regulations

Pure Multi's operations are subject to federal, state, and local laws governing matters such as zoning bylaws, state building codes, federal and state environmental laws, and other laws relating to the construction, use and occupation of multi-family residential properties. Pure Multi believes it is in material compliance with all such laws.

Environmental Matters

Pure Multi obtains environmental site assessments in respect of each property within its portfolio prior to completing the acquisition thereof. The environmental assessments are conducted to identify actual or potential site contamination and non-compliance with environmental laws and regulations based on a review of available historical and current records, interviews with available site personnel and a visual inspection of each property. Any required additional site assessments would include intrusive investigations, such as soil or water sampling and analysis. None of the site assessments completed to date have identified any substantial non-compliance with material environmental laws or regulations, and Pure Multi believes that the current estimated cost of remediation or capital expenditures with respect to actual or potential environmental conditions would not have a material adverse effect on Pure Multi's results of operations, business prospects and financial condition.

Competitive Conditions

The real estate business is extremely competitive. Real estate is an attractive asset class. In each jurisdiction in which Pure Multi conducts business there are a significant number of other real estate investment trusts, real estate companies, pension funds, insurance companies, foreign entities, private individuals and corporations and similar institutions and investors which are presently seeking or which may seek in the future real property investments. Generally, the supply of multi-family properties available for sale in each jurisdiction is relatively limited. There is no assurance that Pure Multi will be able to acquire additional properties at reasonable prices or at all.

To the extent that Pure Multi may have a competitive advantage in each marketplace, it arises from: (i) the network of real estate brokers, owners and operators maintained by the Managing GP's principals, which results in numerous investment opportunities being presented to Pure Multi on a regular basis; and (ii) Pure Multi's exclusive focus on multi-family properties in primary markets in the Sunbelt, which may lead to increased exposure to multi-family properties from vendors and their agents, as compared to other real estate investors in the marketplace who do not have the same exclusive focus.

Employees

As at April 16, 2013, Pure Multi had 46 employees located at its seven Properties. The employees include property managers, onsite maintenance staff and onsite leasing agents.

THE U.S. MULTI-FAMILY REAL ESTATE MARKET

Pure Multi is a publicly traded real estate investment trust based in Canada that offers investors exclusive exposure to U.S. high quality, multi-family asset class. Pure Multi believes that the historical stability of the returns from well located, quality multi-family real estate, the trends and current market conditions will provide investors with stable, attractive returns.

The Managing GP established Pure Multi to provide an opportunity for investors to gain exposure to multi-family real estate properties in the U.S., benefitting from the proven track record of the Sunstone Group. Pure Multi is a Canadian limited partnership focused exclusively on investments in multi-family real estate properties in the U.S.

Since 2003, the Sunstone Group has launched 11 real estate opportunity funds in total (with gross proceeds raised in excess of \$360 million) and has generated strong investor returns of 18% and 36% from their initial two

funds launched in 2003 and 2004 that have since been fully divested. Since 2008, four of the 11 real estate opportunity funds have focused on acquiring, financing, owning and managing U.S. revenue-producing properties, including multi-family real estate properties. These four U.S. funds have raised \$137 million and have acquired 15 U.S. properties for a total \$288 million. Investors in these U.S. funds have had the opportunity to increase the international component of their real estate investments and have benefited from geographic diversification, investment exposure to the U.S. dollar, the opportunity to enhance their investment returns and the security of long-term, stable cash flows.

The Managing GP believes that there will continue to be attractive opportunities for acquiring multi-family real estate properties in the U.S. in both the short and long-term, as the Managing GP anticipates that many owners of such properties will be seeking liquidity over the next few years. These owners may include private equity funds that have a fixed investment horizon, lenders that have become owners of real estate (due to foreclosure or otherwise), and private owners seeking to liquidate their portfolios for estate-planning or other purposes. The Managing GP also expects that undercapitalized owners will seek to sell over-leveraged multi-family assets as they face upcoming debt maturities and the prospect of making significant capital expenditures on their properties.

The Managing GP believes that favourable economic conditions in Canada relative to the U.S., including the relatively low cost of capital in Canada, have created a strong and sustainable window of opportunity to establish a Canadian investment entity to acquire undervalued U.S. multi-family properties on an opportunistic and accretive basis. In certain circumstances, equity and other forms of real estate financing are not readily available for many potential U.S. buyers of multi-family real estate properties, and the Managing GP believes that this challenging environment has created attractive investment opportunities for well-capitalized buyers seeking to purchase quality multi-family assets at attractive yields.

Current U.S. Market Conditions

U.S. Real Gross Domestic Product Growth and Unemployment Rate

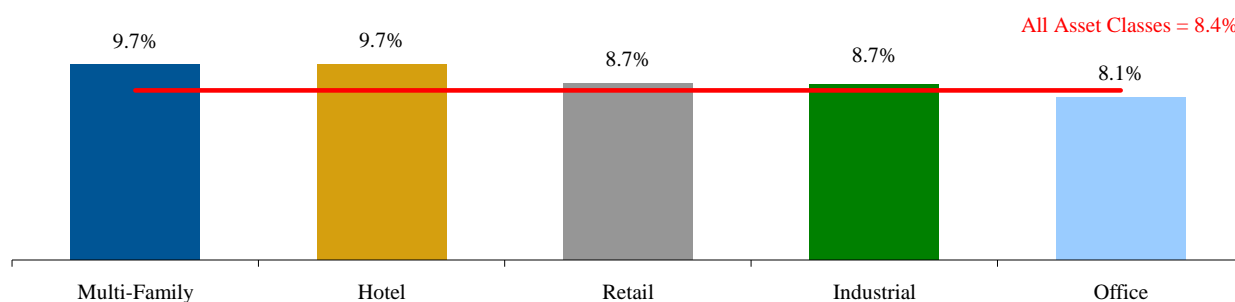
The REIT LP will initially focus on acquiring multi-family properties in the “Sunbelt” regions of the U.S., primarily in the Southwestern and Southeastern areas, although acquisition opportunities may arise in other regions. States such as Texas, Arizona, Georgia and Nevada have generally experienced strong population growth rates well above the national average and declining vacancy rates, trends which are expected to continue in the future, creating additional demand for multi-family properties. The Managing GP expects that many new residents in the Sunbelt regions will first seek out rental housing rather than buying homes, increasing demand for rental housing and supporting the multi-family residential property market.

The Managing GP believes that job growth is one of the most important factors affecting the near-term multi-family market. While the unemployment rate has moderated from its peak in October 2009, the improvement is largely a statistical one driven by a decline in labor force participation. As a result, unemployment rates may be expected to remain elevated longer than usual, as individuals who suspended their job searches during the downturn begin to re-enter the labor pool. A stable-but-slack job market creates a strong rental dynamic, as households still have income to pay rent but do not feel comfortable enough to commit to a long-term mortgage.

Historically Stable Asset Class

The multi-family asset class has historically provided investors with the lowest variability of risk-adjusted returns among all classes of real estate, owing to the necessity for housing, which is typically not materially affected by economic slow-downs.

U.S. Average Annualized Returns by Real Estate Class (1992 – 2011)



Source: National Council of Real Estate Investment Fiduciaries.

Constraints on New Multi-Family Construction

The 2008 U.S. economic downturn has resulted in a significant reduction in the construction of new homes, including multi-family properties. The Managing GP believes that this should increase demand for units in existing properties and lead to increasing occupancy rates and upward pressure on rental rates. Authorized building permits for multi-family residential properties in the “Sunbelt” states declined from 2007 to 2009 and currently remain below 2006 levels. The Managing GP believes that this should increase demand for existing rental properties and result in continued increasing occupancy and rental rates.

Declining U.S. Home Ownership

The level of home ownership in the U.S. is declining, resulting in additional demand for multi-family rental suites. During 2012, renter-occupied households accounted for the large majority of net household formation, with the level of owner-occupied households decreasing. According to the Census Bureau, 1.05 million new renter-occupied households were created over the last year, while the number of owner-occupied households decreased by 100,000.

OUR PORTFOLIO

Since the IPO in July, 2012 to December 31, 2012, Pure Multi acquired a high quality portfolio of seven multi-family Properties located in the Dallas-Fort Worth area.

Property Specific Information

The following chart reflects the Property specific information for the REIT LP’s Property portfolio as at December 31, 2012:

Address	Purchase Price	Mortgages Payable	Number of Units	Percent of Portfolio (Units)	Rentable Space (Sq.ft)	Occupancy
3099 Parham Drive, Grand Prairie, Texas ⁽¹⁾	\$8,378,785	\$5,090,000	154	8.1%	118,976	97.4%
4924 Sigmond Drive, Arlington, Texas ⁽¹⁾	\$13,580,133	\$8,940,000	236	12.4%	181,372	96.2%

Address	Purchase Price	Mortgages Payable	Number of Units	Percent of Portfolio (Units)	Rentable Space (Sq.ft)	Occupancy
8605 North MacArthur Boulevard, Irving, Texas ⁽¹⁾	\$22,600,000	13,680,000	210	11.0%	208,136	97.6%
2004 & 2015 Randy Snow Road, Arlington, Texas ⁽¹⁾	\$24,569,000	\$15,970,000	408	21.4%	307424	95.1%
3560 – 3600 Alma Road, Richardson, Texas ⁽¹⁾	\$52,500,000	\$32,578,765	464	24.3%	464,020	96.6%
1401 Highway 360, Euless, Texas ⁽²⁾	\$49,350,000	\$32,080,000	436	22.9%	419,440	96.6%
Total	\$170,977,918	\$108,338,765	1908		1,699,368	96.4%

Notes:

- (1) For additional information about the Property, see “Recent Developments – Recently Acquired Properties” in the REIT LP’s prospectus dated October 12, 2012, available on SEDAR at www.sedar.com.
- (2) For additional information about the Property, see the REIT LP’s Material Change Report dated October 31, 2012, available on SEDAR at www.sedar.com.

The REIT LP determined that the acquisition of the following Properties were significant:

Address	Date of Filing
3099 Parham Drive, Grand Prairie, Texas	September 14, 2012 - amended September 19, 2012 ⁽¹⁾
4924 Sigmond Drive, Arlington, Texas	September 14, 2012 - amended September 19, 2012 ⁽¹⁾
2004 & 2015 Randy Snow Road, Arlington, Texas	October 12, 2012 ⁽²⁾
3560 – 3600 Alma Road, Richardson, Texas	December 20, 2012 ⁽¹⁾

Notes:

- (1) The REIT LP filed a Business Acquisition Report on Form 51-102F4 in respect of the Properties, available on SEDAR at www.sedar.com, which is incorporated by reference herein.
- (2) The REIT LP included the information required to be included in a Business Acquisition Report on Form 51-102F4 in respect to the Property, in its prospectus dated October 12, 2012, available on SEDAR at www.sedar.com. The information under “Recent Developments – Recently Acquired Properties – September 26, 2012 Acquisitions” and the financial statements on pages F-25 to F-76 is incorporated by reference herein.

RISK FACTORS

Capitalized terms in this section which are not defined in this AIF are defined in the REIT LP Agreement available on SEDAR at www.sedar.com.

There are certain risks inherent in an investment in the Units and in the activities of Pure Multi which investors should carefully consider before investing in the Units. The occurrence of any of the following risks could materially and adversely affect Pure Multi’s investments, prospects, cash flows, results of operations or financial condition and Pure Multi’s ability to make cash distributions to Unitholders. In that event, the value of the Units could decline and investors may lose all or part of their investment. Although Pure Multi believes that the risk factors described below are the most material risks that Pure Multi faces, they are not the only ones. Additional risk factors not presently known to Pure Multi or that Pure Multi currently believes are immaterial could also materially and adversely affect Pure Multi’s investments, prospects, cash flows, results of operations or financial condition and Pure Multi’s ability to make cash distributions to Unitholders and negatively affect the value of the Units. In addition to the risk factors set forth elsewhere in this AIF, prospective purchasers should consider the following risks associated with a purchase of Pure Multi’s Securities:

Reliance on Management

The success of the REIT LP is dependent upon the expertise of the Managing GP and the Property Manager and their principals, Darren Latoski and Stephen Evans. The Managing GP and the Property Manager must identify

multi-family Properties for acquisition and negotiate the price and other terms of the agreements leading to the acquisition of such Properties. The Property Manager is also required to manage the operation of the Properties and to implement the property management strategy established by the REIT LP. The loss of the services of such personnel could have an adverse effect on the Managing GP and the Property Manager. The Directors believe that the Managing GP has an appropriate succession plan in place should the Managing GP or the Property Manager lose the services of any member of its senior management.

Risks of Real Estate Ownership

An investment in Units is an indirect investment in U.S. real estate through the REIT LP's indirect interest in the US REIT and the Properties acquired by the US REIT. Investment in real estate is subject to numerous risks, which include but are not limited to the following:

- (a) *Acquisition Risk* – The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the Properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired Property up to standards established for the market position intended for that Property may prove inaccurate.
- (b) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty and are affected by various factors including general economic conditions, local real estate markets, demand for residential units, competition from other available premises, leasing risk, exposure to defaulting tenants and various other factors.
- (c) *Financing Risks* – There is no assurance that the US REIT 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 US REIT will be able to purchase will decrease and the return from the ownership of Properties (and ultimately the return on an investment in Units) will be reduced.

The operation of the Properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans, and, upon default, one or more lenders could exercise their rights including, without limitation, foreclosure or sale of the Properties.

- (d) *Interest Rate Risk* – Interest rate risk is the combined risk that the REIT LP would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term the REIT LP would be unable to renew the maturing debt either with the existing or a new lender (renewal risk). Current world economic and financial conditions may result in increased interest rates, and/or the possibility that maturing mortgages will not be renewed or, if they are renewed, they will be renewed at significantly lower loan-to-value ratios. The REIT LP will seek to manage its interest rate risk by negotiating, where possible, fixed interest rates on all of its mortgage debt.
- (e) *Environmental Matters* – The REIT LP is subject to various requirements (including federal, provincial, state and municipal laws, as applicable, in the U.S.) relating to environmental matters. Such requirements provide that the REIT LP could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its Properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by the REIT LP with respect to the release of such substances from the REIT LP's Properties to properties owned by third parties, including properties adjacent to the REIT LP's properties or with respect to the exposure of persons to regulated substances.

The failure to remove or otherwise address such substances may materially adversely affect the REIT LP's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the REIT LP. It is the REIT LP's operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a property. Where an environmental site assessment warrants further investigation, it is the REIT LP's operating policy to conduct further environmental assessments. Although such environmental assessments provide the REIT LP with some level of assurance about the condition of the properties, the REIT LP may become subject to liability for undetected contamination or other environmental conditions of its Properties against which it cannot insure, or against which the REIT LP may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the REIT LP may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

- (f) *Uninsured Losses* – The US REIT will arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those to be owned by it or its subsidiaries 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.
- (g) *Reliance on Property Management* – The US REIT will rely upon the Property Manager and, initially by way of subcontract, the Tipton Group, a third-party management company, to perform property management functions in respect of each of the Properties. The employees of the Property Manager and the Tipton Group 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.
- (h) *Competition* – The multi-family real estate sector is highly competitive. The REIT LP faces competition from many sources, including from other multi-family buildings in the immediate vicinity of the various Properties comprising its portfolio and the broader geographic areas where the REIT LP's residential properties are and will be located. In addition, overbuilding in the multi-family sector, particularly in the U.S., may increase the supply of multi-family properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT LP and could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, the multi-family properties that the REIT LP owns or may acquire compete with numerous housing alternatives in attracting tenants, including owner occupied single- and multi-family homes available to rent or purchase. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to multi-unit residential rental properties, and could materially adversely affect the REIT LP's ability to retain tenants, lease suites and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the REIT LP, and could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. The competition for multi-family properties available for sale may significantly increase the cost of acquiring such assets, and may result in such assets being acquired by the REIT LP at prices, or on terms, which are comparatively less favourable to the REIT LP or may result in such assets being acquired by competitors of the REIT LP. In addition, the number of entities seeking to acquire multi-family properties and/or the amount of funds competing for such acquisitions may increase. In addition,

single-property acquisitions from tax motivated individual sellers may only be available for sale at a higher cost to the REIT LP relative to portfolio acquisitions. Increases in the cost to the REIT LP of acquiring multi-unit residential properties may materially adversely affect the ability of the REIT LP to acquire such properties on favourable terms, and may otherwise have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

- (i) *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.
- (j) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.
- (k) *Joint Ventures* – The US REIT may invest in or be a participant in joint ventures and partnerships with third parties in respect of the Properties, respectively. A joint venture or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the US REIT's control over the Properties and their ability to sell their interests in a Property within a reasonable time frame.
- (l) *U.S. Market Factors* – The Properties will be located in the U.S. Global market and economic conditions since the beginning of 2008 have been challenging with recession in the North American economy. U.S. markets are still experiencing increased levels of volatility due to a combination of many factors, including high unemployment, limited access to credit markets, higher fuel prices, less consumer spending and the slow rate of recovery. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. The REIT LP cannot predict when the real estate markets will return to their pre-downturn levels. The value of Properties acquired may decline if current market conditions persist or worsen.
- (m) *Liquidity Risk* – Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the REIT LP to respond to changing economic or investment conditions. If the REIT LP were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, the REIT LP is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.
- (n) *Tenancy Risk* – The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the Properties. The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent unleased suites in Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the Properties becomes vacant and cannot be leased on economically favourable lease terms. If Properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Historical occupancy rates and revenues are not necessarily an accurate prediction of the

future occupancy rates of the REIT LP's Properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT LP's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the REIT LP due to internal and external limitations on its ability to charge these new market-based rents in the short term. The short-term nature of residential tenant leases exposes the REIT LP to the effects of declining market rent, which could materially adversely affect the REIT LP's results from operations and ability to make distributions to holders of Units. Most of the REIT LP's residential tenant leases will be for a term of one year or less. Because the REIT LP's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the REIT LP's rental revenue may be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms.

- (o) *Substitutions for Residential Rental Units* – Demand for the REIT LP's residential rental Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the Canadian and U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the REIT LP's ability to lease suites in its Properties and on the rents charged. This, in turn, may have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (p) *Residential Tenancy Legislation* – Certain jurisdictions in the U.S. have enacted residential tenancy legislation which, among other things, imposes rent control guidelines that limit the REIT LP's ability to raise rental rates at its Properties. Limits on the REIT LP's ability to raise rental rates at its Properties may materially adversely affect the REIT LP's ability to increase income from its Properties. In addition to limiting the REIT LP's ability to raise rental rates, tenancy legislation provides certain rights to tenants, while imposing obligations upon the landlord. Residential tenancy legislation prescribes certain procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective administrative body governing residential tenancies as appointed under the applicable residential tenancy legislation in some jurisdictions, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.
- (q) *Changes in Applicable Laws* - The REIT LP's operations must comply with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the REIT LP to liability. Lower revenue growth or significant unanticipated expenditures may result from the REIT LP's need to comply with changes in applicable laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on Properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT LP's Properties, including changes to building codes and fire and life-safety codes.
- (r) *Fixed Costs and Increased Expenses* – The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including

property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. If the REIT LP is unable to meet mortgage payments on any Property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. The REIT LP is also subject to utility and property tax risk relating to increased costs that the REIT LP may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the REIT LP cannot charge back to the tenant may have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from tenants, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants. The timing and amount of capital expenditures by the REIT LP will affect the amount of cash available for distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the REIT LP deems it necessary to make significant capital or other expenditures.

- (s) *Geographic Concentration* – The REIT LP's Properties are located in the Dallas-Fort Worth area, making the REIT LP's performance particularly sensitive to economic changes in Texas and, in particular, the Dallas-Fort Worth area. The market value of REIT's Properties, the income generated by the REIT LP and the REIT LP's performance are particularly sensitive to changes in the economic condition and regulatory environment of the Dallas-Fort Worth area and Texas. Adverse changes in the economic condition or regulatory environment of the Dallas-Fort Worth area or Texas may have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (t) *Risk Related to Insurance Renewals* - Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the REIT LP's current insurance policies expire, the REIT LP may encounter difficulty in obtaining or renewing property or casualty insurance on its Properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT LP is able to renew its policies at levels and with limitations consistent with its current policies, the REIT LP cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the REIT LP is unable to obtain adequate insurance on its Properties for certain risks, it could cause the REIT LP to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the REIT LP to maintain adequate insurance on its Properties to protect against the risk of loss. If this were to occur, or if the REIT LP were unable to obtain adequate insurance, and its Properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (u) *Access to Capital* - The real estate industry is highly capital intensive. The REIT LP will require access to capital to maintain its Properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT LP will have access to sufficient capital or access to capital on terms favourable to the REIT LP for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT LP may not be able to borrow funds due to the limitations set forth in the REIT LP Agreement. In addition, global financial markets have experienced a sharp increase in volatility during recent years. As a result, it is possible that financing which the REIT LP may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular Property owned by the REIT LP or

otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT LP. Failure by the REIT LP to access required capital could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

- (v) *Degree of Leverage* - The REIT LP's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the REIT LP's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT LP more vulnerable to a downturn in business or the economy in general. Under the REIT LP Agreement, the maximum the REIT LP can leverage is 70% of its Gross Book Value.
- (w) *Litigation Risks* – In the normal course of the REIT LP's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT LP and as a result, could have a material adverse effect on the REIT LP's assets, liabilities, business, financial condition and results of operations. Even if the REIT LP prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT LP's business operations, which could have a material adverse effect on the REIT LP's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.
- (x) *Laws Benefitting Disabled Persons* – Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT LP. Under the *Americans with Disabilities Act of 1990* (the "ADA"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act of 1988* (the "FHAA") requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act of 1973* also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT LP's Properties, or affect renovations of the Properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT LP believes that the Initial U.S. Properties are substantially in compliance with present requirements, the REIT LP may incur unanticipated expenses to comply with the ADA, the FHAA and the *Rehabilitation Act of 1973* in connection with the ongoing operation or redevelopment of the REIT LP's Properties.

U.S. Financing Renewal Risk — Condition of Fannie Mae or Freddie Mac

In the future, the REIT LP will seek to manage its financing risk in respect of its U.S. Properties by maintaining a balanced maturity profile with no significant amounts coming due in any particular period. Management believes that the use of Fannie Mae or Freddie Mac insured mortgages will assist the REIT LP in managing its renewal risk. Given the increased credit quality of such debt, the probability of the REIT LP being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT LP's existing debt. The ongoing financial and real estate market disruptions that began in 2007 could adversely affect the multi-unit residential property sector's ability to obtain financing from Freddie Mac and Fannie Mae, which could materially adversely affect the REIT LP's U.S. operations. Fannie Mae and Freddie Mac are major sources of financing for the U.S. multi-family sector, and both Freddie Mac and Fannie Mae have experienced significant losses during the last three years due to credit-related expenses, securities impairments and fair value losses. If new U.S. government regulations (i) heighten the underwriting standards of Freddie Mac or Fannie Mae, (ii) adversely affect interest rates, or (iii) reduce the amount of capital that either Freddie Mac or Fannie Mae can

make available to the multi-unit residential sector, such regulations could reduce or remove entirely a vital resource of multi-unit residential financing. Any potential reduction in loans, guarantees and credit enhancement arrangements from Freddie Mac or Fannie Mae could limit the availability of financing, increase the cost of financing or otherwise decrease the amount of liquidity and credit available to the multi-family sector generally and the REIT LP specifically. On September 7, 2008, the Federal Housing Finance Agency, or the FHFA, placed Fannie Mae and Freddie Mac into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and mortgage-related securities. Although the U.S. Treasury has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, Fannie Mae and Freddie Mac could continue to suffer losses and could fail to honour their guarantees and other obligations. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes a U.S. government agency mortgage-backed security and could have broad adverse market implications. Such market implications could negatively affect the performance and market value of Pure Multi's Properties.

Dependence on the Managing GP, the Governing GP and the Sunstone Group

The REIT LP is dependent upon the Managing GP, the Governing GP and the Sunstone Group for operational and administrative services relating to the REIT LP's business. The REIT LP Agreement does not have a specified term or expiry date, and accordingly, may at times in the future not reflect current market terms for duties and responsibilities of the Managing GP, as a general partner of the REIT LP or the external structure may become uneconomical for the REIT LP. There is a risk that, because of the terms of the REIT LP Agreement, the Asset Management Agreement and the Property Management Agreement, termination of the REIT LP Agreement, the Asset Management Agreement and the Property Management Agreement Management Agreements, removal of Governing GP as a general partner of the REIT LP or termination of the Asset Management Agreement may be uneconomical for the REIT LP and accordingly not in the best interest of the REIT LP. Should the Managing GP resign or be removed as a general partner of the REIT LP or the Managing GP terminate the Asset Management Agreement, the REIT LP may be required to engage the services of an external asset manager and/or property manager. The REIT LP may be unable to engage an asset manager and/or property manager on acceptable terms, in which case the REIT LP's operations and cash available for distribution may be materially adversely affected. Alternatively, it may be able to engage an asset manager and/or property manager on acceptable terms or it may elect to internalize its external structure, but the process undertaken to engage such manager(s) or to internalize could be costly and time-consuming and may divert the attention of management and key personnel away from the REIT LP's business operations, which could materially adversely affect its financial condition.

Volatile Market Price for Units

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT LP's control, including the following: (i) actual or anticipated fluctuations in the REIT LP's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT LP; (iv) addition or departure of the REIT LP's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT LP or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT LP's industry or target markets. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the REIT LP's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT LP's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Units by those institutions, which could

materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT LP's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Return on Investment Not Guaranteed

The Units are equity securities of the REIT LP and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the REIT LP does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. The REIT LP has the ability to reduce or suspend distributions if circumstances so warrant. The ability of the REIT LP to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT LP and its subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by the REIT LP's Properties. The market value of the Units will deteriorate if the REIT LP is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, unlike interest payments or an interest-bearing debt security, the REIT LP's cash distributions are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a holder of Units may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period. AFFO may exceed actual cash available to the REIT LP from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves identified by the REIT LP in its calculation of AFFO and redemptions of Units, if any. The REIT LP may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Return on Investment Not Comparable to Fixed-Income Security

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 the anticipated return on investment is based upon many performance assumptions. Although the REIT LP intends to distribute its available cash to Unitholders, such cash distributions are not guaranteed and may be reduced or suspended in the future. The REIT LP's ability to make cash distributions and the actual amount distributed will depend on a number of factors, including the financial performance of the REIT LP's Properties, debt covenants and obligations, interest rates, the occupancy rates of the REIT LP's Properties, working capital requirements, future capital requirements and the REIT LP's ability to complete future acquisitions. The REIT LP may be required to supplement its cash distributions from working capital. In addition, the market value of the Units may decline if the REIT LP reduces its cash distributions or is unable to meet its cash distribution targets in the future.

Currency Exchange Rate Risk

The Units are denominated in U.S. dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. Although investors are Canadian residents, an investment in Units is required to be made in U.S. dollars and the US REIT and its affiliates will conduct business in the U.S. Consequently, income and expense or any ultimate gain on sale will be earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, Canadian investors are subject to currency exchange rate risk.

Unitholders do not have legal rights normally associated with ownership of shares of a corporation

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the REIT LP. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured

under the provisions of that Act or any other legislation. Furthermore, the REIT LP is not a trust company and, accordingly, is not registered under any trust and loan company legislation as the REIT LP does not carry on or intend to carry on the business of a trust company.

The issuance of additional Units will result in dilution

The number of Units the REIT LP is authorized to issue is unlimited. The REIT LP may, in the REIT LP's sole discretion, issue additional Units from time to time. Any issuance of Units, including Units issued in consideration for Properties acquired by the REIT LP, will have a dilutive effect on existing Unitholders.

Canadian Tax-Related Risk Factors

In general, a Unitholder must include in computing the Unitholder's income, gain, loss and deduction the Unitholder's proportionate share of income of the REIT LP allocated to the Unitholder pursuant to the REIT LP Agreement for the fiscal period of the REIT LP ending with or within the Unitholder's taxation year. However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder's tax liability in respect of its investment in the REIT LP because each Unitholder's tax liability depends on such Unitholder's particular tax situation. In addition, the actual amount and timing of distributions will be subject to the discretion of the Governing GP, and the REIT LP cannot assure Unitholders that the REIT LP will in fact make cash distributions as intended. Even if the REIT LP is unable to distribute cash in amounts that are sufficient to fund the Unitholders' tax liabilities, each of the Unitholders will still be required to pay income taxes on its proportionate share of REIT LP's taxable income.

The after-tax return from an investment in Units to a Unitholder will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act U.S. taxes paid by the REIT LP or by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder's ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder has other U.S. source income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial and U.S. federal and state income tax rates that will prevail in future years to apply to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

Provided that the Units are listed on a "designated stock exchange" (which currently includes the Exchange (Tiers 1 and 2)), the Units will be qualified investments under the Tax Act for a trust governed by a Plan. However, there can be no assurance that tax laws relating to qualified investments will not be changed. If the Units cease to be qualified investments for Plans, a Plan and/or its annuitant, beneficiary thereunder or holder thereof may become subject to additional tax or penalties or may be otherwise adversely affected.

A holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units held in the TFSA, RRSP or RRIF are or become a "prohibited investment" as defined in the Tax Act for the TFSA, RRSP or RRIF.

The REIT LP intends to redeem fractions of the ROC Share over time to fund its cash distribution obligations. Provided: (i) the Canada Revenue Agency accepts the distribution on redemption as a return of paid-up capital; or (ii) the August 19, 2011 draft legislation, which proposes to exclude distributions from foreign share redemptions from the deemed dividend rules in respect of foreign affiliates, is enacted as proposed and effective at the relevant time, the REIT LP may realize a capital gain or loss on such redemption as a result of the foreign currency exchange rate being higher or lower at time of redemption than at the time of share subscription. The capital gain must be included in income, but any capital loss on such redemption will be added in part to the adjusted cost base of the ROC Share, and otherwise effectively denied unless the REIT LP sells the Common Shares of the US REIT, which sale is not contemplated.

The exposure of the REIT LP to the tax on SIFTs imposed by the SIFT Measures will depend on whether or not the REIT LP holds "non-portfolio properties" (as defined in the Tax Act). Where the REIT LP holds any

“non-portfolio properties”, adverse consequences could arise including that the REIT LP would be subject to tax on its “taxable non-portfolio earnings” (as defined in the Tax Act), with the result that the amount of cash available for distribution by the REIT LP may be reduced, and that such amount be, depending on the circumstances, included in the income of Unitholders for purposes of the Tax Act as eligible dividends.

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

On October 31, 2003, the Department of Finance (Canada) released for public comment proposals regarding the deductibility of interest and other expenses for purposes of the Tax Act (the “REOP Proposals”). In general, these proposals may deny the deduction of losses arising from Unitholders’ Units in computing their income for Canadian federal income tax purposes in a particular taxation year, if, in the year the loss is claimed, it is not reasonable to expect that an overall cumulative profit would be earned from the investment in the REIT LP for the period in which the Unitholders held and can reasonably be expected to hold the investment. The Managing GP does not anticipate that the activities of the REIT LP will, in and of themselves, generate losses. However, investors may incur expenses in connection with an acquisition of Units that could result in a loss that would be affected by the REOP Proposals. As part of the 2005 Canadian federal budget, the Minister announced that an alternative proposal to reflect the REOP Proposals would be released for comment at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the Unitholders, or that any revised proposal will not differ significantly from the REOP Proposals described above.

The rules governing the Canadian federal income taxation of Unitholders are complex. Prospective investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units offered herein.

U.S. Federal Income Tax-Related Risk Factors

The REIT LP and the US REIT may be subject to the following U.S. tax risks:

- There is a risk that for the current year, and for any subsequent year, the REIT LP does not meet the “qualifying income” exception (as discussed above) to continue to be treated as a partnership for U.S. federal income tax purposes, and is, thus, treated as a corporation for U.S. federal income tax purposes. Should the REIT LP be treated as a corporation for U.S. federal income tax purposes, the income tax consequences will differ significantly from those described and distributions to Unitholders may be materially lower than if the REIT LP were treated as a flow-through entity for U.S. federal income tax purposes.
- There is a risk that for the current quarter, and for any subsequent quarter, the REIT LP may not be considered to be “regularly traded”. “Regularly traded” requires that more than a de minimis amount of trading occurs during each quarter, certain quarterly volume requirements are satisfied, and less than 50 percent of the REIT LP is owned by 100 or fewer persons at all times. As well, certain other reporting requirements must be met. Should the regularly traded exception not be met, all Unitholders would be taxable upon the disposition of their Units and would also be subject to U.S. tax return filing requirements.
- Management intends to take all reasonable steps to limit the REIT LP from recognizing gains recognized (or considered to be recognized) by a Unitholder attributable to the actual or deemed disposition of United States Real Property Interests (“USRPI”) that may result from an investment in the REIT LP (“Non-Exempt Gains”). Such Non-Exempt Gains may cause a Unitholder to recognize a gain on the disposition of a USRPI recognized by a nonresident alien or foreign corporation treated as “effectively connected with the conduct of a trade or business within the United States” (“ECI”) and, therefore, a U.S. tax return filing requirement. However, no assurances can be given that Non-Exempt Gains will not be recognized in a particular year.

Unitholders who are allocated ECI (including USRPI gains) are required to file a U.S. federal income tax return. Unitholders must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return.

- Given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that US REIT will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. Should US REIT fail to qualify as a REIT, it should be subject to U.S. federal income tax and may result in materially reduced distributions to Unitholders. A REIT that is disqualified as a REIT cannot generally elect again to become a REIT prior to the fifth taxable year beginning after the first taxable year for which the termination is effective.
- The REIT LP and/or US REIT will be making withholding certificate applications to the U.S. Internal Revenue Service (“IRS”) to request for a reduction in U.S. federal income tax withholdings that would otherwise apply to an amount that more closely resembles the actual tax liability. No assurance can be given that the IRS will approve a withholding certificate application.

CAPITAL STRUCTURE

The following table sets out the consolidated capitalization of Pure Multi as at December 31, 2012:

Security	Authorized	Issued	At December 31, 2012
Class A Units	Unlimited	17,089,000	\$84,932,330
Class B Units	Unlimited	200,000	\$1,000,000
Mortgages payable – Long Term Debt	N/A	N/A	\$108,338,765
Total Capitalization			\$194,271,095

Class A Units

Pure Multi is authorized to issue an unlimited number of Class A Units (see “Summary of the REIT LP Agreement – Units”).

Class B Units

Pure Multi is authorized to issue an unlimited number of Class B Units (see “Summary of the REIT LP Agreement – Class B Units”).

Long Term Debt

Pure Multi finances a portion of the purchase price of the Properties by way of mortgage loans from third party lenders. Pursuant to the REIT LP Agreement, the overall loan to value ratio of the mortgage loans will not exceed 70% 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 five to ten 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 return of capital to the Unitholders.

Pure Multi's mortgages bear interest at the weighted average rate of 4.23% as at December 31, 2012 and mature between 2017 and 2022. See "Our Portfolio – Property Specific Information" for mortgages payable in respect of each of Pure Multi's Properties.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Capitalized terms in this section which are not defined in this AIF are defined in the REIT LP Agreement available on SEDAR at www.sedar.com.

Investment Guidelines

The REIT LP Agreement provides that the assets of the REIT LP may only be invested, and the REIT LP shall not permit the assets of any subsidiary entity to be invested otherwise than with the approval of the Governing GP, in accordance with the following investment guidelines:

- (a) The REIT LP shall not make any investment, take any action or omit to take any action that would result in Units not being a "qualified investment", for investment by Plans;
- (b) Notwithstanding any other provisions of the REIT LP Agreement, the REIT LP shall not make any investment or take any action or omit to take any action which would cause the REIT LP to be a "SIFT partnership" within the meaning of the Tax Act (or proposed amendments thereto) at any time during a Taxation Year;
- (c) The REIT LP shall cause US REIT to only make investments and adopt operating policies and undertake activities that will allow US REIT to meet all requisite organizational, operational, income, asset and distribution requirements for US REIT to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code");
- (d) Except as otherwise permitted in the REIT LP Agreement, the REIT LP may only invest in direct and indirect interests (including ownership and leasehold interests) in multi-family real estate properties in the U.S.;
- (e) The REIT LP may, with the prior approval of the Governing GP, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT LP; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT LP's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT LP, provisions to limit the liability of the REIT LP and its Unitholders to third parties, and provisions to provide for the participation of the REIT LP in the management of the joint venture arrangement. For purposes hereof, a joint venture arrangement is an arrangement between the REIT LP and one or more other persons pursuant to which the REIT LP, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT LP and in respect of which the REIT LP may hold its interest jointly or in common or in another manner with others (subject to paragraphs (a) and (b) above) either directly or through the ownership of securities of a corporation or other entity, including a limited partnership or a limited liability company;
- (f) The REIT LP may, with the prior approval of the Governing GP, invest by way of loan advances to a sidecar fund, in which the REIT LP would advance funds for the development of new multi-family properties, with rights to acquire such properties on pre-agreed terms;
- (g) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities and except as otherwise permitted pursuant to the investment guidelines and operating policies of

the REIT LP, the REIT LP may not hold securities other than to the extent such securities would constitute an investment in real property (as determined by the Governing GP);

- (h) The REIT LP will not invest, directly or indirectly in other trust, partnership, corporation or other entity unless the person derives all or substantially all of its revenues from maintaining, improving, leasing or managing real property, including real property that the person, or an entity of which the person holds a share or an interest, holds together with one or more other persons;
- (i) The REIT LP may invest in immovable hypothecs, mortgages, hypothecary bonds or mortgage bonds (including a participating or convertible immovable hypothec or mortgage) and similar instruments where:
 - (i) the hypothec, mortgage, hypothecary bond or mortgage bond is issued by a Subsidiary,
 - (ii) the immovable property, which is security therefor, is income-producing real property which otherwise complies with the other investment guidelines of the REIT LP adopted from time to time in accordance with the REIT LP Agreement and the guidelines set out herein,
 - (iii) the immovable hypothec or mortgage is an immovable hypothec or mortgage registered on title to the real property which is security therefor, and
 - (iv) the aggregate value of the investments of the REIT LP in these instruments, after giving effect to the proposed investment, will not exceed 20% of the adjusted Unitholders' equity (calculated in accordance with the REIT LP Agreement); and
- (j) The REIT LP may invest in immovable hypothecs or mortgages which are not first ranking for the purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT LP is the vendor or with the intention of using such hypothec or mortgage as part of a method for subsequently acquiring an interest in or control of a real property or a portfolio of properties.

For the purpose of the foregoing guidelines, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership.

Operating Policies

The operations and affairs of the REIT LP shall be conducted in accordance with the following policies, the whole subject to the investment guidelines above. For the purpose of these policies, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT LP (an "investee") will be deemed to be those of the REIT LP on a proportionate consolidated basis. In applying these guidelines, the REIT LP will cause each investee to adhere to operating policies, and the REIT LP will otherwise manage its investments in its investees, such that it shall remain in compliance with the operating policies. In addition, any references in the below guidelines to investment in real property will be deemed to include an investment in a joint venture:

- (a) The REIT LP shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof: the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time.
- (b) The REIT LP shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total consolidated indebtedness of the REIT LP would be more than 70% of the Gross Book Value. For the purposes of this paragraph, the term "indebtedness" means any obligation of the REIT LP for borrowed money, including the face amount outstanding under any convertible debentures but excluding any premium in respect of

indebtedness assumed by the REIT LP for which the REIT LP has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy, provided that:

- (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of the REIT LP in accordance with IFRS;
 - (ii) indebtedness excludes trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business and short term acquisition credit facilities; and
 - (iii) indebtedness excludes any amount shown on the consolidated statement of financial position of the REIT LP in accordance with IFRS in respect of the Class B Units or the Class A Units, if either shall be characterized as a liability under IFRS.
- (c) The REIT LP will not directly or indirectly guarantee any indebtedness or liabilities of any kind of any person, except indebtedness or liabilities assumed or incurred by a person in which the REIT LP holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT LP with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by the REIT LP directly, would not cause the REIT LP to otherwise contravene the guidelines set out within the REIT LP Agreement. The REIT LP is not required but shall use its reasonable best efforts to comply with this requirement if doing so is necessary or desirable in order to further the initiatives of the REIT LP permitted under the REIT LP Agreement.
- (d) The REIT LP shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT LP and the accidental loss of value of trust property of the REIT LP from risks, in amounts, with such insurers, and on such terms as the Governing GP consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties.
- (e) The REIT LP the REIT LP will not invest, directly or indirectly in the securities of any person unless the person has policies which require:
- (i) that the person will obtain or have received an independent appraisal of each property or an independent valuation of a portfolio of properties that it intends to acquire; and
 - (ii) that the person will obtain or review a preliminary site investigation report (or reliance letter from an environmental consultant in respect of a preliminary site investigation report) of each real property to be acquired by it, dated within eighteen months of the date of acquisition, and, if the preliminary site investigation report recommends or recommended a Phase II environmental audit be obtained, the REIT LP shall obtain or review a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the Governing GP.

Amendments to Investment Guidelines and Operating Policies

The investment guidelines set out in the REIT LP Agreement and the operating policies set out under the heading “Operating Policies” may be amended only by Special Resolution of Unitholders. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Application of Investment Guidelines and Operating Policies

With respect to the investment guidelines and operating policies contained in the REIT LP Agreement, where any maximum or minimum percentage limitation is specified in any of the guidelines and policies therein contained, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value or adjusted Unitholders' equity (calculated in accordance with the REIT LP Agreement) will not require divestiture of any investment.

Regulatory Matters

If at any time a government or regulatory authority having jurisdiction over the REIT LP or any Property of the REIT LP shall enact any law, regulation or requirement which is in conflict with any investment guideline of the REIT LP then in force (other than the restriction on making any investments, taking action or omitting to take any action that would result in Units not being a "qualified investment, for investment by Plans), such guideline in conflict shall, if the Directors on the advice of legal counsel to the Governing GP so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Governing GP shall not require the prior approval of Unitholders.

SUMMARY OF THE REIT LP AGREEMENT

General

The rights and obligations of the Unitholders are governed by the REIT LP Agreement dated as of May 4, 2012 among the Governing GP, the Managing GP and all persons who become holders of Units as provided therein. The following is a summary of certain material provisions of the REIT LP Agreement. **This summary does not purport to be complete and reference should be to the REIT LP Agreement itself, a copy of which is available from the Governing GP and on SEDAR at www.sedar.com.**

Capitalized terms in this summary which are not defined in this AIF are defined in the REIT LP Agreement available on SEDAR at www.sedar.com.

Units

The REIT LP is authorized to issue an unlimited number of Units. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

Each Unit is transferable and, so long as there are any Class B Units issued and outstanding, each Unit represents an equal undivided beneficial interest in and to the Unit Percentage Interest of any distributions from the REIT LP, whether of Distributable Cash, Net Income, Net Loss, capital gains or other amounts, and in the Unit Percentage Interest of any net assets of the REIT LP in the event of its termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the REIT LP.

Where there are no Class B Units issued and outstanding, each Unit represents an equal undivided beneficial interest in and to all distributions from the REIT LP, whether of Distributable Cash, Net Income, Net Loss, capital gains or other amounts, and in all assets of the REIT LP in the event of its termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the REIT LP.

Class B Units

The REIT LP is authorized to issue an unlimited number of Class B Units. On May 30, 2012, the Managing GP acquired 200,000 Class B Units in consideration of a cash payment of \$5.00 per Class B Unit for aggregate proceeds to the REIT LP of \$1,000,000 and as the Class B Unitholder, upon the closing of the IPO, owns a 5% interest in the REIT LP. Each Class B Unit entitles the Unitholder to the same rights and obligations as any other

Class B Unitholder and no Class B Unitholder is entitled to any privilege, priority or preference in relation to any other Class B Unitholders.

During the Initial Period, being that period which ends on the earlier of the third anniversary of the closing of the IPO or a Determination Event, holders of the Class B Units are not entitled to receive a monthly cash distribution in a particular month unless the Unitholders have received payment of the Target Distribution. Once the Target Distribution has been paid to Unitholders, an amount equal to 5/95ths of the Target Distribution will be distributed to the Class B Unitholders and thereafter any additional distributions to be made in the month will be paid 95% to the Unitholders and 5% to the Class B Unitholders. Unpaid portions of the Target Distribution will accumulate and will be payable to the Unitholders in priority to distributions to the Class B Unitholder.

So long as there are any issued and outstanding Units, each Class B Unit represents an equal undivided beneficial interest in and to the Class B Unit Percentage Interest of any distributions from the REIT LP, whether of Distributable Cash, Net Income, Net Loss, capital gains or other amounts, and in the Class B Unit Percentage Interest of any net assets of the REIT LP in the event of its termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the REIT LP.

Where there are no Units issued and outstanding, each Class B Unit is entitled to an equal undivided beneficial interest in and to all distributions from the REIT LP, whether of Distributable Cash, Net Income, Net Loss, capital gains or other amounts, and in all assets of the REIT LP in the event of its termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the REIT LP.

Under the terms of the REIT LP Agreement, the Class B Unitholders as a class are entitled to convert all of their Class B Units into Units by exercising Conversion Rights which upon exercise entitle the Class B Unitholders to require the REIT LP to redesignate all their Class B Units into Units at the Specified Ratio. See "Conversion Rights of Class B Units".

Interests of Unitholders

Each Unit or Class B Unit when issued shall vest indefeasibly in the holder thereof. The interest of each Unitholder shall be determined by the number of Units or Class B Units, respectively, registered in the name of the Unitholder and the Managing GP. The issued and outstanding Units and Class B Units may be subdivided or consolidated from time to time without the approval of Unitholders or the Managing GP, provided that a subdivision or consolidation of Units or of Class B Units will not affect the Unit Percentage Interest or Class B Unit Percentage Interest.

Consideration for Units

No Units shall be issued other than as fully paid and non-assessable. A Unit shall not be fully paid until the consideration therefore has been received in full by or on behalf of the REIT LP. The consideration for any Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that the REIT LP would have received if the Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the Managing GP may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit the REIT LP.

No Pre-Emptive Rights

There are no pre-emptive rights attaching to the Units.

Fractional Units

If any person becomes entitled to a fraction of a Unit, such person shall not be entitled to receive a certificate therefore. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of or to attend or to vote at, meetings of Unitholders. Subject

to the foregoing, such fractional Units shall have attached thereto the rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit.

Allotment and Issue

The Governing GP may allot and issue Units at such time or times and in such manner (including, without limitation, pursuant to any plan from time to time in effect relating to reinvestment by Unitholders of distributions of the REIT LP in Units) and for such consideration and to such person or class of persons as the Governing GP in its sole discretion shall determine. In the event that Units are issued in whole or in part for a consideration other than money, the resolution of the Governing GP allotting and issuing such Units shall express the fair equivalent in money of the other consideration received. The price or value of the consideration for which Units may be issued will be determined by the Governing GP in its sole discretion, generally in consultation with investment dealers or brokers who may act as agents or underwriters in connection with offerings of Units.

Rights, Warrants and Options

The REIT LP may create and issue rights, warrants or options or other instruments or securities to subscribe for fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the Governing GP may determine. The rights, warrants, options, instruments or securities so created may be issued for such consideration or for no consideration, all as the Governing GP may determine. A right, warrant, option, instrument or security shall not be a Unit and a holder thereof shall not be a Unitholder.

Upon the approval by the Independent Directors of any unit option plan for the Governing GP, officers and/or employees of the REIT LP or any Subsidiary of the REIT LP and/or their personal holding companies or family trusts and/or persons who provide services to the REIT LP, the Nomination and Governance Committee may, upon receiving authority from the Governing GP, recommend to the Governing GP the granting of options upon the terms and subject to the conditions set forth in such plan.

Subject to the terms of the REIT LP Agreement, the Governing GP may create and issue indebtedness of the REIT LP in respect of which interest, premium or principal payable thereon may be paid, at the option of the REIT LP or the holder, in fully paid Units, or which indebtedness, by its terms, may be convertible into Units at such time and for such prices as the Governing GP may determine. Any indebtedness so created shall not be a Unit and a holder thereof shall not be a Unitholder unless and until fully paid Units are issued in accordance with the terms of such indebtedness.

Transferability

The Units are freely transferable and, except in limited circumstances set forth in the REIT LP Agreement, the Governing GP shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. The Governing GP shall use all reasonable efforts to obtain and maintain a listing for the Units on one or more stock exchanges in Canada.

The Managing GP has agreed to not assign the Class B Units held by it other than to its Affiliates and Associates and has agreed that it will not dispose of more than one-third of the Units received by it upon the conversion of the Class B Units in each consecutive twelve month period ending after the first anniversary of the earlier of: (i) the date a Determination Event occurs; and (ii) the date upon which the conversion is completed. This limitation will not apply where the Conversion Rights have been exercised in connection with a takeover bid or a sale of substantially all of the REIT LP's assets.

In addition, pursuant to the Voting Agreement, Darren Investments Inc. and Triple E Investments Ltd., the holdings companies of Messrs. Latoski and Evans, respectively, and the other limited partners of the Managing GP, have agreed to not assign their limited partnership interests in the Managing GP other than to their respective Affiliates and Associates until the expiration of the period during which the Managing GP has agreed to hold the Class B Units held by it.

Transfer of Units

Subject to the provisions of the REIT LP Agreement, the Units shall be, for all purposes of the REIT LP and the REIT LP Agreement, personal and moveable property, and the Units shall be fully transferable without charge as between persons, but no transfer of Units shall be effective as against the Governing GP or shall be in any way binding upon the Governing GP until the transfer has been recorded on the register or one of the branch transfer registers maintained by the Governing GP, the REIT LP or the Transfer Agent of the REIT LP. No transfer of a Unit shall be recognized unless such transfer is of a whole Unit.

Distributions of Distributable Cash

To the extent cash flow permits, the REIT LP will pay and distribute all Distributable Cash. During the Initial Period, Distributable Cash will be distributed as follows:

- (a) first, to the Governing GP 0.01% of the Distributable Cash to a maximum of \$100 per annum;
- (b) second, to the Unitholders as a group until they have received an amount which, when aggregated with all previous distributions made pursuant to subsection 13.9(a)(ii) of the REIT LP Agreement is equal to (but not in excess of) the aggregate Target Distribution in respect of all Units for the period from the date of their issuance to the distribution date, and the amount so determined shall be allocated among the Unitholders in accordance with their respective Proportionate Shares;
- (c) third, to the Class B Unitholders as a group until they have received an amount which, when aggregated with all previous distributions made pursuant to subsection 13.9(a)(iii) of the REIT LP Agreement is equal to (but not in excess of) an amount which is 5/95ths of the aggregate distributions made to the Unitholders pursuant to subsection 13.9(a)(ii) of the REIT LP Agreement up to the distribution date, and the amount so determined shall be allocated among the Class B Unitholders in accordance with their respective Proportionate Shares; and
- (d) as to the balance:
 - (i) the Unit Percentage of the balance shall be distributed to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares; and
 - (ii) the Class B Unit Percentage of the balance shall be distributed to the Class B Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

After the Initial Period, Distributable Cash will be distributed as follows:

- (a) first, to the Governing GP 0.01% of the Distributable Cash to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) the Unit Percentage of the balance shall be distributed to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares; and
 - (ii) the Class B Unit Percentage of the balance shall be distributed to the Class B Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

All distributions shall be paid by the REIT LP only to Unitholders and Class B Unitholders as of the particular Record Date set for such distribution.

Payment of Distributions

Any distribution shall be made directly by the REIT LP or through the Transfer Agent or through any other person or agent, as approved by the Governing GP, to the Unitholders and Class B Unitholders as of the particular Record Date set for such distribution. Any taxes withheld or paid by the REIT LP or a subsidiary in respect of a Unitholder or Class B Unitholder shall be treated either as a distribution to such Unitholder or Class B Unitholder or as a general expenses of the REIT LP, as determined by the Managing GP in its sole discretion, and the Managing GP shall report to the Unitholders and Class B Unitholders on an annual basis the amount of such taxes withheld or paid. For greater certainty, distributions made shall constitute full payment and satisfaction of the REIT LP's liability in respect of such distribution, regardless of any claim of any person who may have an interest in such distribution by reason of an assignment or otherwise. In the event of any overpayment to a Unitholder or Class B Unitholder, such overpayment will be refunded by such Unitholder or Class B Unitholder, as the case may be, to the REIT LP, and any underpayment will be paid by the REIT LP to the Unitholders or Class B Unitholders, as the case may be, within 30 days of the final determination of such underpayment or overpayment. Notwithstanding the foregoing, the Governing GP may in its sole and unfettered discretion elect to not distribute Distributable Cash in any period or to reduce the amount of any distribution of Distributable Cash in whole or in part.

Distributions upon Dissolution

Upon the dissolution of the REIT LP, the assets of the REIT LP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) to pay any costs involved in the sale of the assets of the REIT LP and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
- (b) to pay all expenses incurred in the winding-up of the REIT LP;
- (c) to pay all of the liabilities of the REIT LP;
- (d) to establish such reserves as the Governing GP considers necessary;
- (e) to return to each Unitholder and Class B Unitholder the amount in their respective capital accounts;
- (f) to return to the Governing GP and the Managing GP the balance in their respective capital accounts;
- (g) if such dissolution occurs during the Initial Period:
 - (i) to pay to the Unitholders as a group to the Unitholders as a group, an amount equal to the Target Distribution until it has received an amount which, when aggregated with all previous distributions made pursuant to Subsection 13.9(a) of the REIT LP Agreement is equal to (but not in excess of) the aggregate Target Distribution in respect of all Units for the period from the date of their issuance to the date of dissolution, and the amount so determined shall be allocated among the Unitholders in accordance with their respective Proportionate Shares;
 - (ii) to pay to the Class B Unitholders, as a group, until it has received an amount which, when aggregated with all previous distributions made pursuant to Subsection 13.9(a)(iii) of the REIT LP Agreement is equal to (but not in excess of) an amount which is 5/95ths of the aggregate distributions made to Unitholders pursuant to Subsection 13.9(a)(ii) of the REIT LP Agreement and the amount so determined shall be allocated among the Class B Unitholders in accordance with their respective Proportionate Shares; and
 - (iii) to pay the balance as follows:

- A. the Unit Percentage of the balance shall be distributed to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares; and
 - B. the Class B Unit Percentage of the balance shall be distributed to the Class B Unitholders, *pro rata* in accordance with their respective Proportionate Shares.
- (h) if such dissolution occurs after the Initial Period:
- (i) to pay to the Class B Unitholders, as a group, until it has received an amount which, when aggregated with all previous distributions made pursuant to Subsection 13.9(a)(iii) of the REIT LP Agreement is equal to (but not in excess of) an amount which is 5/95ths of the aggregate distributions made to Unitholders pursuant to Subsection 13.9(a)(ii) of the REIT LP Agreement and the amount so determined shall be allocated among the Class B Unitholders in accordance with their respective Proportionate Shares; and
 - (iv) to pay the balance as follows:
 - A. the Unit Percentage of the balance shall be distributed to the Unitholders, *pro rata* in accordance with their respective Proportionate Shares; and
 - B. the Class B Unit Percentage of the balance shall be distributed to the Class B Unitholders, *pro rata* in accordance with their respective Proportionate Shares.

Such distribution may be made in cash or in kind or partly in each, all as the Governing GP in its sole discretion may determine.

Allocation of Income and Losses

Where Distributable Cash was paid in respect of a Fiscal Year, the Net Income and Taxable Income of the REIT LP in respect of that Fiscal Year shall be allocated among all Unitholders and Class B Unitholders that were Unitholders and Class B Unitholders, respectively, at any time in the Fiscal Year on the following basis:

- (a) first, to the Governing GP 0.01% of the Net Income and Taxable Income of the REIT LP to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) to the Unitholders, as a class, an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the Unitholders in respect of the Fiscal Year and the denominator of which is the total distributions made by the REIT LP in respect of the Fiscal Year and the amount so determined shall be allocated among the Unitholders *pro rata* based on the sum of distributions received by such Unitholder with respect to such Fiscal Year relative to the aggregate amount of distributions made by the REIT LP to the Unitholders, as a group with respect to such Fiscal Year; and
 - (ii) to the Class B Unitholders, *pro rata*, an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the Class B Unitholders in respect of the Fiscal Year and the denominator of which is the total distributions made by the REIT LP in respect of the Fiscal Year.

Where no Distributable Cash was paid in respect of a Fiscal Year, Net Income and Taxable Income of the REIT LP in respect of that Fiscal Year shall be allocated among the Unitholders and Class B Unitholders on the following basis:

- (a) first, to the Governing GP 0.01% of the Net Income and Taxable Income of the REIT LP to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) to the Unitholders who were holders of Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares, the Unit Percentage of the balance divided by 12; and
 - (ii) to the Class B Unitholders who were holders of Class B Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares, the Class B Unit Percentage of the balance divided by 12.

Net Loss and Taxable Loss of the REIT LP in respect of that Fiscal Year shall be allocated among Unitholders and Class B Unitholders that were Unitholders and Class B Unitholders, respectively, at any time in the Fiscal Year on the following basis:

- (a) to the Unitholders who were holders of Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares and to the extent of their capital accounts, the Unit Percentage of the Net Loss or Taxable Loss divided by 12;
- (b) to the Class B Unitholders who were holders of Class B Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares and to the extent of their capital accounts, the Class B Unit Percentage of the Net Loss or Taxable Loss divided by 12; and.
- (c) as to the balance, to the Governing GP.

The Governing GP shall have the discretion, but not the obligation, acting in good faith, to allocate revenue and expenses on a basis which ensures a fair distribution among Unitholders and Class B Unitholders after taking into consideration any matters that may be relevant. Adjustments may be made in respect of revenue earned or expenses incurred prior to the time each Unitholder and Class B Unitholder became a unitholder of the REIT LP and adjustments may be made in respect of fees paid in years prior to the year in which the Partner became a Partner. The Governing GP shall also have the right, but not the obligation, to allocate revenues and expenses among Unitholders and Class B Unitholders to ensure they are treated equitably taking into account differences that may arise as a result of the acquisition of Units or Class B Units at different times in a year or in different calendar years.

Each Unitholder and Class B Unitholder at any time in each Fiscal Year will be allocated his, her or its share of such Net Income and Net Losses for such Fiscal Year in accordance with the REIT LP Agreement. Where a Unitholder or Class B Unitholder assigns a Unit or Class B Unit prior to the end of the Fiscal Year, the portion of Net Income or Net Losses which would have been attributed to such assigning Partner shall continue to be so allocable in accordance with the REIT LP Agreement, instead of being allocated to the assignee who holds the Unit or Class B Unit at the end of the Fiscal Year. For greater certainty, any person who was a Unitholder or Class B Unitholder at any time during a Fiscal Year but who has transferred all of such person's Units or Class B Units, as the case may be, before the last day of that fiscal year may be deemed to be a partner of the REIT LP on the last day of such Fiscal Year for the purposes of subsection 96(1) of the Tax Act. Where a Unit or a Class B Unit was initially subscribed for after the beginning of the Fiscal Year, income and losses for the entire Fiscal Year will be allocated to the holder thereof in accordance with the mechanics of the provisions of the REIT LP Agreement on account of the portion of the Fiscal Year that the person was a Unitholder or Class B Unitholder.

If any Unitholder has a negative balance in his, her or its capital account, the Governing GP shall have the right to allocate Net Income to that Unitholder in priority to other Unitholders to the extent of the negative balance. The Governing GP shall not allocate Net Losses to a Unitholder to the extent that such allocation results in a negative balance in his, her or its capital account.

The Governing GP has been designated as the tax matters partner for all Canadian and U.S. federal income tax purposes, and state or provincial equivalents. The Governing GP, acting as tax matters partner, in its reasonable discretion and from time to time may modify the manner in which Net Income, Taxable Income, Net Loss and Taxable Loss are allocated to or among the Unitholders and Class B Unitholders and their capital accounts for tax purposes in order that in the reasonable judgment of the Governing GP, and in its sole discretion, such allocations will reasonably reflect the purpose of the REIT LP Agreement and the intention of the parties; provided, however, that no such modification shall materially and adversely affect the amounts distributable to any Partner.

If applicable, for U.S. federal income tax purposes, allocations of Net Income, Taxable Income, Net Loss and Taxable Loss for each Fiscal Year or other relevant period of the REIT LP shall be allocated among the Unitholders and Class B Unitholders as set out in the REIT LP Agreement except to the extent: (i) that any such allocations would not have substantial economic effect or are not in accordance with the interests of the Unitholders and Class B Unitholders in the REIT LP (in each case, as determined pursuant to Section 704(b) of the Internal Revenue Code) or (ii) otherwise required by applicable law or by reason of tax elections made by the Governing GP on behalf of the REIT LP, and, in the case of either clause (i) or (ii), the Governing GP shall adjust allocations as necessary so as to comply with the requirements of Sections 704(b) and 704(c) of the Internal Revenue Code and the regulations promulgated thereunder, relevant provisions of law or elections made by the Governing GP on behalf of the REIT LP (as applicable).

Additional Capital Contributions

No Unitholder or Class B Unitholder is required to make additional capital contributions to the REIT LP over and above the purchase price paid for such Units or Class B Units.

Voting

Each Unit has attached to it the right to exercise one vote at meetings of the REIT LP. The Class B Unitholders as a group shall be entitled to exercise in aggregate that number of votes which is equal to the total number of votes attached to the Units, multiplied by the Class B Unit Percentage Interest and divided by the Unit Percentage Interest. Each Class B Unit shall entitle the holder of record thereof to exercise a voting interest determined by dividing the number of votes exercisable by the Class B Unitholders as a group by the total number of issued Class B Units.

Certain powers, relating generally to the existence and fundamental powers of the REIT LP may be exercisable only by way of a Special Resolution passed by the Unitholders and Class B Unitholders.

Annual Meeting

There shall be an annual meeting of the Unitholders and Class B Unitholders at such time and place in Canada as the Governing GP shall prescribe for the purpose of electing directors of the Governing GP, receiving audited financial statements, appointing or removing the auditors of the REIT LP and transacting such other business as the Governing GP may determine or as may properly be brought before the meeting. The annual meeting shall be held after delivery to the Unitholders and Class B Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of the REIT LP.

Other Meetings

The Governing GP shall have power at any time to call special meetings of the Unitholders at such time and place in Canada as the Governing GP may determine. Unitholders and Class B Unitholders holding in the aggregate not less than 30% of the outstanding Units of the REIT LP may requisition the Governing GP in writing to call a special meeting of the Unitholders and Class B Unitholders for the purposes stated in the requisition.

Notice of Meeting

Notice of all meetings of the Unitholders and Class B Unitholders shall be mailed or delivered by the Transfer Agent of the REIT LP to the Unitholders and Class B Unitholders, respectively, each director of the Governing GP and to the auditors of the REIT LP not less than 21 nor more than 50 days (or within such other number of days as required by law or relevant stock exchange) before the meeting. Such notice shall specify the time when, and the place where, such meeting is to be held and shall state briefly the general nature of the business to be transacted at such meeting and shall otherwise include such information as would be provided to shareholders of a corporation governed by the *Canada Business Corporations Act* in connection with a meeting of shareholders. Any adjourned meeting, other than a meeting adjourned for lack of a quorum, may be held as adjourned without further notice. Notwithstanding the foregoing, a meeting of Unitholders and Class B Unitholders may be held at any time without notice if all the Unitholders and Class B Unitholders are present or represented thereat or those not so present or represented have waived notice. Any Unitholder and Class B Unitholders (or a duly appointed proxy thereof) may waive any notice required to be given under the REIT LP Agreement, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. At any meeting at which a quorum is not present within 30 minutes after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders and Class B Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders and Class B Unitholders present either in person or by proxy shall be deemed to constitute a quorum. Attendance at a meeting of Unitholders and Class B Unitholders shall constitute a waiver of notice unless the Unitholder and Class B Unitholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

Chairperson

The chairperson of any annual or special meeting shall be the Chairman of the Governing GP or any other Director of the Governing GP specified by resolutions of the Governing GP or, in the absence of any Director, any person appointed as chairperson of the meeting by the Unitholders and Class B Unitholders present.

Quorum

A quorum for any meeting of Unitholders and Class B Unitholders shall be individuals present not being less than two in number and being Unitholders and Class B Unitholders or representing by proxy Unitholders and Class B Unitholders who hold in the aggregate not less in aggregate than 5% of the total number of outstanding Units and Class B Units provided that if the REIT LP has only one Unitholder, the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. If a quorum is present at the opening of a meeting, the Unitholders and Class B Unitholders may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. The Chairman of any meeting at which a quorum of Unitholders and Class B Unitholders is present may, with the consent of the majority of the Unitholders and Class B Unitholders present in person or by proxy, adjourn at such meeting and no notice of any such adjournment need be given. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders and Class B Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders and Class B Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

Matters on which Unitholders and Class B Unitholders Shall Vote

None of the following shall occur unless the same has been duly approved by the Unitholders and Class B Unitholders at a meeting duly called and held:

- (a) the appointment, election or removal of a director of the Governing GP;

- (b) except as provided in the REIT LP Agreement, the appointment, election or removal of Managing GP or the Governing GP;
- (c) except as provided in the REIT LP Agreement, the appointment or removal of Auditors;
- (d) any amendment to the REIT LP Agreement (except for amendments which may be made at the discretion of the Governing GP);
- (e) the sale of or transfer of the assets of the REIT LP as an entirety or substantially as an entirety (other than as a part of an internal reorganization of the assets of the REIT LP as approved by the Governing GP);
- (f) any decision to amend the investment guidelines or operating policies of the REIT LP, or certain matters which require the approval of Unitholders and Class B Unitholders under the REIT LP Agreement; or
- (g) the termination of the REIT LP.

Nothing in the REIT LP Agreement shall prevent the Governing GP from submitting to a vote of Unitholders and Class B Unitholders any matter which it deems appropriate.

Matters which must be approved by Special Resolution

- (a) any amendment to the provisions of the REIT LP Agreement dealing with amendments to the REIT LP Agreement;
- (b) any exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including:
 - (i) the removal or change of rights to distributions;
 - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or
 - (iii) the reduction or removal of a distribution preference or liquidation preference;
- (d) any constraint of the issue, transfer or ownership of Units or the change or removal of such constraint, except as provided herein;
- (e) any amendment to increase the maximum number of Directors (to more than 9) or to decrease the minimum number of Directors (to less than 5);
- (f) any distribution of the REIT LP's property upon its termination;
- (g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Governing GP;
- (h) any sale or transfer of the assets of the REIT LP as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of the REIT LP as approved by the Governing GP);
- (i) the termination of the REIT LP;

- (j) any amendment to the investment guidelines or and operating policies of the REIT LP, except for any amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Governing GP or over the REIT LP;
- (k) the issuance of any further Class B Units; or
- (l) any matter required to be passed by a Special Resolution under the REIT LP Agreement, as may be amended and restated from time to time.

Limitation on Authority of Unitholders and Class B Unitholders

A Unitholder and Class B Unitholder may from time to time inquire as to the state and progress of the business of the REIT LP and may provide comment as to its management; however, no Unitholder or Class B Unitholder shall take part in the control or management of the business of the REIT LP, execute any document which binds or purports to bind the REIT LP, the Governing GP, the Managing GP or any other Unitholder or Class B Unitholder as such or have any authority to undertake any obligation or responsibility on behalf of the REIT LP (except that the Governing GP and Managing GP may act on behalf of the REIT LP notwithstanding that they may also be a Unitholder).

Liability of the Partners

Each of the Governing GP and the Managing GP has unlimited liability for the debts, liabilities, losses and obligations of the REIT LP. Subject to the applicable law and any specific assumption of liability, the liability of each Unitholder for the debts, liabilities, losses and obligations of the REIT LP is limited to the amount of the capital contributed or agreed to be contributed to the REIT LP by him, her or it in respect of his, her or its Unit(s) or Class B Unit(s) plus his, her or its share of any undistributed income of the REIT LP.

Powers of the Governing GP and the Managing GP

The Governing GP will have the full power and authority to administer, manage, control and operate the business of the REIT LP. The Managing GP shall have the full power and authority to administer, manage and control the matters enumerated in the Asset Management Agreement until the termination thereof. Each of the Governing GP and the Managing GP will exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Unitholders and Class B Unitholders.

CONVERSION RIGHTS OF CLASS B UNITS

Pursuant to the REIT LP Agreement, the Managing GP or any Affiliate or Associate of the Managing GP which is then a Class B Unitholder, will as a class be entitled to convert all but not less than all of their Class B Units into Units, by exercising certain Conversion Rights which upon exercise by the Class B Unitholders require the REIT LP to redesignate all the interests of the Class B Unitholders as Units, at the Specified Ratio.

Upon the Class B Unitholders exercising the Conversion Rights, they will own that number of Units which is equal to the Class B Unit Percentage Interest (initially 5%) of all Units outstanding after such conversion. The Class B Unit Percentage Interest will remain fixed notwithstanding the issue of further Units, until the occurrence of a Determination Event. Following the occurrence of a Determination Event, the number of Units to which the Class B Unitholder is entitled upon exercising Conversion Rights becomes fixed, and future issuances of Units will result in a decline in the Class B Unit Percentage Interest. A Determination Event is the earliest to occur of the following: (a) the REIT LP's Market Capitalization exceeding \$300,000,000 for a period of 10 consecutive trading days; (b) an arm's length take-over bid being made for the Units, provided that not less than 51% of the Units not held by the offeror are taken-up in such bid; and (c) substantially all of the assets of the REIT LP being sold or the REIT LP being liquidated.

The Conversion Rights may be exercised by the Managing GP at any time provided that:

- (a) the REIT LP is legally entitled to comply with its obligations in connection with the exercise of the Conversion Rights; and
- (b) the Class B Unitholder who exercises the Conversion Rights complies with all applicable securities laws.

In addition, the Managing GP will be required to exercise its Conversion Rights upon the REIT LP completing the sale of all or substantially all of its assets.

Upon the exercise of the Conversion Rights, the Class B Unitholders will receive that number of Units which is equal to the Specified Ratio multiplied by the number of outstanding Class B Units. As such, pursuant to the terms of the REIT LP Agreement, the Class B Unitholders will receive such number of Units representing the same Class B Unit Percentage Interest in the net assets of the REIT LP as was previously designated in the form of Class B Units. Subject to applicable laws, the REIT LP will redesignate all the interests of Class B Unitholders into Units at the Specified Ratio effective as of the date that the REIT LP receives a notice of exercise of the Conversion Rights. Upon such occurrence, the interests of Class B Unitholders will be redesignated as Units and a certificate for such number of Units as determined based on the Specified Ratio will be delivered to holders, or to CDS on their behalf. The Class B Units (which will not be certificated) will not be required to be redeemed or cancelled.

Pursuant to the REIT LP Agreement, the Managing GP or any Affiliate or Associate of the Managing GP which is then the Class B Unitholder, has agreed that it will not dispose of more than one-third of the Units received by it upon the conversion of the Class B Units in each consecutive twelve month period ending after the earlier of: (i) the date a Determination Event occurs; and (ii) the date upon which the conversion is completed. This limitation will not apply where the Conversion Rights have been exercised in connection with a takeover bid or a sale of substantially all of the REIT LP's assets.

DISTRIBUTIONS

General

The following is a summary of the distribution policy of the REIT LP as contained in the REIT LP Agreement. You should refer to the REIT LP Agreement, available on SEDAR at www.sedar.com, for the full text of the REIT LP's distribution policy. The distribution policy (specifically, the requirements of the REIT LP Agreement relating to distributions) may be amended by the Managing GP from time to time. The REIT LP's distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of the REIT LP's Unitholders.

The REIT LP currently intends to make a cash distribution to Unitholders of \$0.03 per Class A Unit per month. Monthly Distributions will be paid on the Distribution Date to Unitholders of record on the last business day of the relevant month.

Payment of Distributions

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

The Managing GP shall deduct or withhold from distributions payable to any Unitholder all amounts required or permitted by law to be withheld from such distribution and the REIT LP shall remit such taxes to the appropriate governmental authority within the times prescribed by law. Unitholders who are Non-Residents will be

required to pay all withholding taxes payable in respect of any distributions of income by the REIT LP, whether such distributions are in the form of cash or additional Units. In the event of a distribution in the form of additional Units, the Managing GP may sell the Units of such Unitholder to pay the withholding taxes and to pay all of the Managing GP's reasonable expenses with regard thereto and the Managing GP shall have the power of attorney of such Unitholder or Class B Unitholder to do so. Any such sale shall be made on any stock exchange on which the REIT LP Units are then listed and upon such sale, the affected Unitholder shall cease to be the holder of such Units.

If the Managing GP determines that the REIT LP does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units or Class B Units, respectively, having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Managing GP to be available for the payment of such distribution.

Distributions

Pure Multi has declared and paid a monthly distribution of \$0.030 per Class A Unit for the year ended December 31, 2012. For the year ended December 31, 2012, Pure Multi paid distributions of \$2,469,510 to all Class A Unitholders:

Period	Record Date	Payment Date	Class A Units Outstanding at Record Date	Distribution Per Class A Unit	Amount
July 2012	July 29, 2012	August 15, 2012	11,500,000	\$0.021	\$241,500
August 2012	August 31, 2012	September 17, 2012	11,500,000	\$0.030	\$345,000
September 2012	September 30, 2012	October 15, 2012	11,500,000	\$0.030	\$345,000
October 2012	October 31, 2012	November 15, 2012	17,089,000	\$0.030	\$512,670
November 2012	November 30, 2012	December 17, 2012	17,089,000	\$0.030	\$512,670
December 2012	December 30, 2012	January 16, 2013	17,089,000	\$0.030	\$512,670
					\$2,469,510

For the year ended December 31, 2012, Pure Multi paid distributions of \$129,974, equal to the Class B Unit Percentage Interest, to all Class B Unitholders:

Period	Record Date	Payment Date	Class B Units⁽¹⁾ Outstanding at Record Date	Distribution Per Class B Unit	Amount
July 2012	July 29, 2012	January 16, 2013	200,000	\$0.064	\$12,710
August 2012	August 31, 2012	January 16, 2013	200,000	\$0.091	\$18,158
September 2012	September 30, 2012	January 16, 2013	200,000	\$0.091	\$18,158
October 2012	October 31, 2012	January 16, 2013	200,000	\$0.135	\$26,983
November 2012	November 30, 2012	January 16, 2013	200,000	\$0.135	\$26,983
December 2012	December 30, 2012	January 16, 2013	200,000	\$0.135	\$26,982
					\$129,974

Notes:

⁽¹⁾ For a description of the rights attaching to the Class B Units, see "Summary of the REIT LP Agreement – Class B Units".

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed and posted for trading on the Exchange under the symbol "RUF.U". The first day of trading was July 10, 2012. The following table sets forth certain trading information for the Units on the Exchange for the most recently completed financial year:

Month	High (\$)	Low (\$)	Close (\$)	Volume
July 10 - 31	\$5.34	\$4.94	\$5.25	726,248
August	\$5.50	\$5.18	\$5.33	341,279
September	\$5.43	\$5.18	\$5.20	356,355
October	\$5.24	\$5.01	\$5.05	763,677
November	\$5.15	\$4.80	\$4.91	487,476
December	\$5.12	\$4.82	\$4.97	287,750

Source: TMX Group.

Prior Sales

The following table sets forth the price, number and date at which Class B Units have been issued during the most recently completed financial year, which are not listed or quoted on a marketplace:

Designation of Class	Price Per Security	Number of Securities	Date of Issuance
Class B Units	\$5.00	200,000	May 30, 2012

ESCROWED SECURITIES

The following securities of Pure Multi are held in escrow as at December 31, 2012:

Designation of Class	Number of Securities Held in Escrow ⁽¹⁾	Percentage of Class
Class B Units	750,000	75%

Notes:

⁽¹⁾ The 1,000,000 Class B Units (the “Escrowed Units”) issued to the Managing GP on May 30, 2012 are held in escrow pursuant to an escrow agreement (the “Escrow Agreement”) dated July 3, 2012 between the REIT LP, the Managing GP and Computershare Investor Services Inc., as escrow agent. Pursuant to the terms of the Escrow Agreement, 1/4 of the Escrowed Units were released on July 9, 2012 (the date that the REIT LP’s Units are listed on the Exchange (the “Listing Date”)), 1/3 of the remaining Escrowed Units were released on January 9, 2013 (six months after the Listing Date), 1/2 of the remaining Escrowed Units will be released 12 months after the Listing Date, and the remaining Escrowed Units will be released 18 months after the Listing Date.

DIRECTORS AND MANAGEMENT

The REIT LP Agreement provides for the management and control of Pure Multi by a general partner rather than a board of directors or officers. Accordingly, Pure Multi has no directors or executive officers. Pursuant to the LP Agreement, decisions relating to the operation and business of Pure Multi are governed by the Governing GP, which has sole responsibility and authority for the governance and control of Pure Multi. References herein to the Directors, the Board of Directors, the Board, the Audit Committee, the Nominating and Governance Committee, the Compensation Committee, the Chief Executive Officer, the Chief Financial Officer, executive officer and/or officers of Pure Multi or otherwise are in fact references to such position(s) with and/or committees of the Governing GP.

As at December 31, 2012, Pure Multi’s Directors are Darren Latoski, Stephen Evans, Robert King, Douglas Scott and James Redekop. Mr. King is Lead Independent Director of Pure Multi Board of the Directors. Messrs. King, Scott and Redekop are all Independent Directors. The following table sets out each Director and officer’s name, municipality of residence and principal occupation.

Name and Municipality of Residence	Position	Principal Occupation
STEPHEN J. EVANS North Vancouver, British Columbia, Canada	Chief Executive Officer and Director	CEO, Pure Multi COO, Sunstone Realty Advisors Inc. Co-CEO, PIRET
DARREN T. LATOSKI ⁽¹⁾ Vancouver, British Columbia, Canada	Executive Chair and Director	President, Sunstone Realty Advisors Inc. CEO, WesternOne Inc. Co-CEO, PIRET
SCOTT SHILLINGTON Richmond, British Columbia, Canada	Chief Financial Officer	CFO, Pure Multi Controller, Sunstone Realty Advisors Inc.
ROBERT W. KING ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, British Columbia, Canada	Lead Independent Director	President, King Pacific Capital Corporation
DOUGLAS R. SCOTT, C.A. ⁽¹⁾⁽²⁾⁽³⁾ Surrey, British Columbia, Canada	Independent Director	Corporate Director and Consultant
JAMES REDEKOP ⁽²⁾⁽³⁾ White Rock, British Columbia, Canada	Independent Director	President, Redekop Development Corp.

Notes:

- (1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating and Governance Committee.

The foregoing directors and officers have held their respective positions since the establishment of the Governing GP and the term of office for each of the Directors will expire at the next annual meeting of the Unitholders.

Profile of the Directors

Stephen Evans – Mr. Evans is the Chief Executive Officer of Pure Multi. He is also the Chief Operating Officer of and indirectly owns 50% of the shares in Sunstone Realty Advisors Inc. (“Sunstone Realty”). Since 2003, Sunstone Realty, and its predecessors, have raised over CDN\$208 million and US\$137 million in equity for its Sunstone series of funds (collectively, the “Sunstone Funds”). Sunstone Realty has participated in the negotiation, acquisition, redevelopment and asset management of over CDN\$493 million and US\$288 million in commercial, residential and office properties in Canada and the U.S. Mr. Evans continues his active role in the management of the business of Sunstone Realty, with a focus on enhancing the value of the acquired properties on behalf of the investors. As well, Messrs. Evans and Latoski founded Pure Industrial Real Estate Trust (“PIRET”) in 2007. PIRET is a publicly-listed real estate investment trust (Toronto Stock Exchange: AAR.UN) established for the purposes of acquiring, owning and operating a diversified portfolio of income-producing industrial properties in primary markets across Canada. Since 2007, PIRET has raised approximately CDN\$418 million in equity financing and acquired a portfolio of 92 industrial properties in Canada having a total value of approximately CDN\$838 million. From September 15, 2008 to December 31, 2009, Mr. Evans was a director of IAT Air Cargo Facilities Income Fund and director of International Aviation Terminals Inc. Mr. Evans commenced as director of Huntingdon Capital Corporation (formerly Huntingdon Real Estate Investment Trust) on January 1, 2010 until September 26, 2012 and is currently a director of WesternOne Inc. and American Hotel Income Properties REIT LP, whose shares are listing for trading on the Toronto Stock Exchange.

Darren Latoski – Mr. Latoski is the Executive Chair of Pure Multi. He is also the President of and indirectly owns 50% of the shares in Sunstone Realty. Since 2003, Sunstone Realty, and its predecessors, have raised over CDN\$208 million and US\$137 million in equity for its Sunstone Funds. Sunstone Realty has participated in the negotiation, acquisition, redevelopment and asset management of over CDN\$493 million and US\$288 million in commercial, residential and office properties in Canada and the U.S. As well, Messrs. Latoski and Evans founded PIRET in 2007. PIRET is a publicly-listed real estate investment trust (Toronto Stock Exchange: AAR.UN) established for the purposes of acquiring, owning and operating a diversified portfolio of income-producing industrial properties in primary markets across Canada. Since 2007, PIRET has raised approximately CDN\$418 million in equity financing and acquired a

portfolio of 92 industrial properties in Canada having a total value of approximately CDN \$838 million. Mr. Latoski is also the Chief Executive Officer and a director of WesternOne Inc., whose shares are listed for trading on the Toronto Stock Exchange.

Robert W. King – Mr. King is the lead independent director of Pure Multi. He is also the President of King Pacific Capital Corporation, a private company specializing in mortgage finance and real estate development and investment in Western Canada. Mr. King is also a principal of Westbridge Finance Inc., a full-service commercial mortgage brokerage company. Mr. King is a trustee of PIRET (Toronto Stock Exchange: AAR.UN), Chairman of the Board and director of WesternOne Inc. (Toronto Stock Exchange: WEQ) and is a director of Wall Financial Corporation, a real estate investment and development company whose shares are listed for trading on the Toronto Stock Exchange. Mr. King is also a director of the general partner and/or corporate trustee of each of the limited partnerships and real estate investment trusts comprising the Sunstone Funds. Mr. King earned his MBA from Dalhousie University in 1992 and a Bachelor of Arts from the University of British Columbia in 1989.

Douglas R. Scott – Mr. Scott is currently a financial consultant. He serves as a director of WesternOne Inc. and as a trustee of PIRET, both of which are listed for trading on the Toronto Stock Exchange. Additionally, Mr. Scott serves as the Chairman of the Audit Committee and Nominating and Governance Committee for both WesternOne Inc. and PIRET. He was the Chief Financial Officer of First Majestic Silver Corp. and First Silver Reserve Inc. Mr. Scott was Vice President and Chief Financial Officer of Coast Wholesale Appliances Income Fund and its predecessor from 2003 to 2005, and was instrumental in its 2005 initial public offering. In addition, Mr. Scott was a partner with FinancExec Associates, working primarily in the roles of director and chief financial officer for a number of large to medium-sized public and private companies. Mr. Scott has a Bachelor of Commerce Degree with Distinction from the University of Alberta and is a Chartered Accountant (Alberta) with more than 35 years of professional experience. Mr. Scott has an IFRS certification from the Institute of Chartered Accountants in England and Wales (ICAEW). Mr. Scott is a member of the Institute of Corporate Directors.

James L. Redekop – Since leaving the single family home construction industry in 1986, Mr. Redekop has been involved in multi-family housing and commercial construction and real estate development in British Columbia, primarily through special-purpose private companies held through Redekop Development Corp., Mr. Redekop's development company. His primary focus has been with residential wood-frame condominium and townhouse projects. Over the past 25 years, he has acted as general contractor or project manager on numerous multi-family developments. More recently, Mr. Redekop has become involved in commercial greenhouse vegetable production as a principal of Sunselect Produce Delta LLP and its sister company, Proselect Gas Treating Inc. Mr. Redekop is also a director of the general partner and/or corporate trustee of each of the limited partnerships and real estate investment trusts comprising the Sunstone Funds.

Scott Shillington - Mr. Shillington is the Chief Financial Officer of Pure Multi. He is a Chartered Accountant (British Columbia) and has a Bachelor of Commerce Degree from the University of British Columbia. From December 2010 to the present, Mr. Shillington has worked as one of two controllers with Sunstone, in addition to his role at Pure Multi. During his time with Sunstone, Mr. Shillington has gained extensive experience in the real estate industry. He has assisted with property acquisitions, the preparation of financial statements and other operations. From December 2006 to March 2010, Mr. Shillington worked with Petro-Canada (Suncor Energy Inc. since August 2009) in the areas of Sarbanes-Oxley compliance, IFRS conversion work and related matters.

Security Holdings of the Directors and Officers

As of April 16, 2013, as a group, the Directors and the executive officers of the REIT LP own, directly or indirectly, or exercise control or direction over, a total of 58,765 Class A Units, representing 0.3% of the then issued and outstanding Class A Units. This figure does not include the 200,000 Class B Units held by Darren Latoski, Stephen Evans and select employees of the Sunstone Group, through their interest in the Managing GP.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Directors, no Director, or officer of the REIT LP or Unitholder holding a sufficient number of securities of the REIT LP to affect materially the control of the REIT LP, is, or within the 10

years before the date of this AIF has been, a director, chief executive officer or chief financial officer of any issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the Director or officer of the REIT LP ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days.

Within the 10 year period before the date of this AIF, none of the Directors or officers of the REIT LP, or Unitholder holding a sufficient number of securities of the REIT LP to affect materially the control of the REIT LP, or any personal holding companies of any such persons, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromises with creditors or had a receiver, receiver manager or Director appointed to hold his, her or its assets; or has been a director or executive officer of any issuer that, while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromises with creditors or had a receiver, receiver manager or Director appointed to hold its assets.

To the knowledge of the Directors, no Director, or officer of the REIT LP, or Unitholder holding a sufficient number of securities of the REIT LP to affect materially the control of the REIT LP, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Potential Conflicts of Interest

The REIT LP Agreement contains “conflict of interest” provisions similar to those applicable to corporations under Section 120 of the CBCA which serve to protect Unitholders without creating undue limitations on the REIT LP. Given that the Governing GP and its directors and officers will be engaged in a wide range of real estate and other business activities, the REIT LP Agreement requires each of the Governing GP and its directors and officers to disclose to the REIT LP if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT LP or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT LP. Disclosure is required to be made by each of the REIT LP’s directors or officers as soon as the director or officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the Governing GP, as soon as the director or officer becomes aware of his or her interest in a contract or transaction or, if not currently a director or officer, as soon as such person becomes a director or officer. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by Governing GP or Unitholders, that director or officer is required to disclose in writing to the Governing GP or request to have entered into the minutes of the meeting of the Governing GP the nature and extent of his or her interest forthwith after the director or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a director who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as the Governing GP’s director, officer, employee or agent or one for indemnity under the indemnity provisions of the REIT LP Agreement or the purchase of liability insurance. Certain of the Governing GP may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See “Risk Factors”.

Governance

The Directors have appointed an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee for non-arm’s length acquisitions and investments.

Audit Committee

The Audit Committee has three members, being Douglas Scott, Robert King and Darren Latoski. The Audit Committee assists the Directors in fulfilling their responsibilities of oversight and supervision of Pure Multi's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas, for the selection of Pure Multi's independent auditors and for the approval of all non-audit services for which its auditors may be engaged. All members of the Audit Committee are financially literate within the meaning of applicable securities laws.

The Audit Committee is responsible for monitoring compliance with a Code of Conduct and Ethical Behaviour to be adopted by the Directors and for establishing a procedure for the anonymous and confidential receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters (a "whistle blowing procedure").

Nominating and Governance Committee

The Nominating and Governance Committee has three members, being Robert King, James Redekop and Douglas Scott. The Nominating and Governance Committee is responsible for developing Pure Multi's approach to governance issues, filling vacancies among the Directors and periodically reviewing the effectiveness of the Directors and the contribution of individual Directors. Further, the Nominating and Governance Committee of Pure Multi is also responsible for adopting and periodically reviewing and updating its written disclosure policy. This policy, among other things:

- ◆ articulates Pure Multi's legal obligations and those of its Directors, officers and employees with respect to the disclosure of material information;
- ◆ identifies Pure Multi's spokespersons who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- ◆ provides guidelines on the disclosure of forward looking information;
- ◆ requires advance review by Pure Multi's senior executives of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if a non-permitted selective disclosure does occur, a news release is issued immediately; and
- ◆ establishes "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods Directors, officers, employees and consultants, of Pure Multi and its subsidiaries, may not purchase or sell Units.

Liability of Directors

The REIT LP Agreement contains customary provisions limiting the liability of the Directors. The Directors will not be liable to any Unitholder or any other person, in tort, contract or otherwise, for: any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; any depreciation of, or loss to, the REIT LP incurred by reason of the sale of any asset; the loss or disposition of money or securities; any action or failure to act of any other person to whom the Directors have delegated any of their duties under the REIT LP Agreement; or any other action or failure to act (including failure to compel in any way any former Director to redress any breach of trust or any failure by any person to perform its duties under or delegated to it, under the REIT LP Agreement), unless, in each case, such liabilities arise out of a breach of the Directors' standard of care, diligence and skill or breach of the restrictions on the Directors' powers as set out in the REIT LP Agreement. If the Directors have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the REIT LP Agreement, the Directors may act or refuse to act based on the advice of such expert, advisor or legal counsel, and the Directors will not be liable for and will be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of such expert, advisor or legal counsel. In the exercise of the powers, authorities or discretion conferred on the Directors under the REIT LP Agreement, the Directors are and will be conclusively deemed to be acting as Directors of the REIT LP's assets and will not be subject to any personal

liability for any debts, liabilities, obligations, claims, demands, judgements, costs, charges or expenses against or with respect to Pure Multi or Pure Multi's assets.

Insurance Coverage for Directors and Indemnification

Pure Multi has obtained a policy of insurance for the Directors and for Pure Multi's senior executive officers. The initial aggregate limit of liability applicable to the insured Directors and officers under the policy is \$10 million. Under the policy, Pure Multi has reimbursement coverage to the extent that it has indemnified the Directors and officers. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against Pure Multi and the Directors and officers.

ASSET MANAGEMENT

Pure Multi's asset management is conducted pursuant to the Asset Management Agreement, as described below.

Asset Management Agreement

Pursuant to the Asset Management Agreement, the Managing GP will provide asset management, administrative and reporting services to the REIT LP as its managing general partner. The Managing GP will provide these services to the REIT LP through the provision of qualified senior management. In particular, the Managing GP will provide the services of Messrs. Latoski and Evans and the services of the Managing GP's Chief Financial Officer, Vice President, financial analyst and director of investor relations. These individuals will devote the amount of time necessary to the management of the REIT LP in order to carry out its business objectives.

The Asset Management Agreement also requires the Managing GP to provide the REIT LP with support services consisting of office space and equipment and the necessary clerical and secretarial personnel for the administration of its day-to-day activities, at no cost. The Asset Management Agreement may be terminated by the REIT LP at any time upon the occurrence of certain events of default and at any other time upon not less than 60 days' notice, without bonus or penalty. In lieu of the fees typically associated with a third party asset management agreement, the Managing GP will only be entitled to a reimbursement of any reasonable costs and expenses (including legal and audit costs but excluding personnel costs) that it incurs providing asset management services to the REIT LP and will not be entitled to any other remuneration or compensation for its services.

Pursuant to the Asset Management Agreement, the Managing GP has agreed with the REIT LP that it will not be engaged, either directly or indirectly, for its own account or on behalf of parties other than the REIT LP, in real estate investments relating to U.S. multi-family real estate, except: (i) in the case of a "sidecar" fund, to which the REIT LP would advance funds for the development of a multi-family real estate property, with rights to acquire such property on terms to be determined, provided that such advances and acquisition are approved by the Directors or Independent Directors, as appropriate, of the Governing GP, and that such investment is otherwise compliant with the REIT LP's investment guidelines; (ii) in a case where the Directors or Independent Directors, as appropriate, of the Governing GP have elected to not acquire or invest in such multi-family real estate property; and (iii) in a case where the property is owned or being acquired or disposed by an affiliate of Sunstone U.S. Opportunity Realty Trust, Sunstone U.S. Opportunity (No. 2) Realty Trust, Sunstone U.S. Opportunity (No. 3) Realty Trust or Sunstone U.S. Opportunity (No. 4) Realty Trust.

When the REIT LP's portfolio of Properties reaches a sufficient size to support internal property management, the REIT LP intends to internalize property management of the Properties through the acquisition at fair market value of the Property Manager or of the then existing Property Management Agreement. When the REIT LP's assets reach a sufficient size to support internal asset management, and upon the occurrence of a Determination Event, the REIT LP intends to terminate the Asset Management Agreement and internalize asset management at no cost to the REIT LP.

PROMOTERS

The Managing GP has taken the initiative in founding and organizing the REIT LP and therefore may be considered a promoter of the REIT LP for the purposes of applicable securities legislation.

The Managing GP provides asset management services to Pure Multi pursuant to the Asset Management Agreement, which provides that Managing GP is only entitled to a reimbursement of any reasonable costs and expenses (including legal and audit costs but excluding personnel costs) that it incurred providing asset management services to Pure Multi. The Managing GP is not entitled to any other remuneration or compensation for its services.

On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units at a price of \$5.00 per Class B Unit. For a description of the rights attaching to the Class B Units, see “Summary of the REIT LP Agreement – Class B Units”.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Pure Multi is not aware of any legal proceedings to which it is a party, or by which any of its property is subject, which would be material to Pure Multi, nor is Pure Multi aware of any such proceedings being contemplated.

Pure Multi is not aware of (a) any penalties or sanctions imposed against Pure Multi by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year; (b) any other penalties or sanctions imposed by a court or court or regulatory body against Pure Multi that would likely be considered important to a reasonable investor in making an investment decision; and (c) any settlement agreements Pure Multi entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, during Pure Multi most recently completed first year of operations, none of the following persons or companies has had any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect Pure Multi:

- (a) any Director or officer of Pure Multi;
- (b) any Unitholder that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Units; and
- (c) any associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc., at its principal offices in Vancouver, British Columbia, and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into that are material and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect are as follows:

1. the REIT LP Agreement, described in “Summary of the REIT LP Agreement”;
2. the Asset Management Agreement, described above in “Asset Management”;
3. the Property Management Agreement, which is available on SEDAR at www.sedar.com;
4. the Voting Agreement, which is available on SEDAR at www.sedar.com;
5. the Escrow Agreement, which is available on SEDAR at www.sedar.com;

6. the agency agreement dated July 3, 2012 among the REIT LP, the Managing GP and certain agents in connection with the REIT LP's IPO, which is available on SEDAR at www.sedar.com; and
7. the underwriting agreement dated September 25, 2012 among the REIT LP, the Managing GP and certain underwriters in connection with October 2012 Offering, which is available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

The auditors of Pure Multi are KPMG LLP, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3. As of February 14, 2013 the date of the KPMG LLP auditors' report on Pure Multi's audited financial statements for the year ended December 31, 2012, the partners did not own any of Pure Multi's outstanding Units.

AUDIT COMMITTEE INFORMATION

Pursuant to National Instrument 52-110 – Audit Committees (“NI 52-110”), the disclosure of Pure Multi's Audit Committee is cumulatively set out below and in Pure Multi's Management Information Circular dated March 27, 2013 under the heading “Audit Committee Disclosure”, available on SEDAR at www.sedar.com and is incorporated by reference herein.

Audit Committee Oversight

At no time since the commencement of Pure Multi's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Directors.

Reliance on Certain Exemptions

Since the commencement of Pure Multi's most recently completed financial year, the REIT LP has not relied on the exemptions contained in section 2.4 or section 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110 in whole or in part.

Exemption

The REIT LP is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the REIT LP, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

ADDITIONAL INFORMATION

Additional information relating to us may be found on SEDAR at www.sedar.com. Additional information, including Directors', directors', and officers' remuneration and indebtedness, principal holders of our securities, and securities authorized for issuance under equity compensation plans, as applicable, will be contained in our information circular for our annual meeting of Unitholders that involves the election of Directors. Additional financial information is provided in our audited consolidated financial statements and management's discussion and analysis for our most recently completed financial year.