This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, the securities may not be offered or sold in the United States of America except in transactions which are exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States of America. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the issuer at 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, telephone (604) 681-5959 and are also available electronically at www.sedar.com. A copy of the permanent information record may be obtained without charge from the secretary of the issuer at the above mentioned address and telephone number and is also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue

October 12, 2012

PURE MULTI-FAMILY REIT LP

US$25,029,000
4,860,000 Units

Price: US$5.15 Per Unit

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

This short form prospectus ("**Prospectus**") qualifies the distribution of 4,860,000 class A units (each, a "**Unit**") of Pure Multi-Family REIT LP (the "**REIT LP**") at a price of $5.15 per Unit for aggregate gross proceeds to the REIT LP of $25,029,000 (the "**Offering**"). The REIT LP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) to invest in quality multi-family real estate properties in major markets in the United States. The REIT LP is focused exclusively on investments in multi-family real estate properties in the United States and is currently the only publicly traded vehicle in Canada which offers investors exclusive exposure to U.S. multi-family real estate assets. The REIT LP's head office and mailing address is 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

The Units are listed on the TSX Venture Exchange (the "**TSX-V**") under the trading symbol "RUF.U". On September 19, 2012, the trading day on which the announcement of this Offering was made, the closing price of the Units on the TSX-V was $5.32 per Unit. On October 11, 2012, the closing price of the Units on the TSX-V was $5.10. The TSX-V has conditionally accepted the listing of the Units distributed under this Offering. Listing will be subject to the REIT LP fulfilling all of the listing requirements of the TSX-V.

	Price to the Public(1)	**Underwriters' Fee(2)**	**Net Proceeds to the REIT LP(3)**
Per Unit	$5.15	$0.28325	$4.86675
Total(4)	$25,029,000	$1,376,595	$23,652,405

Notes:

(1) The price of the Units offered hereunder was established by negotiation between the REIT LP and Dundee Securities Ltd. and Canaccord Genuity Corp. (as co-lead underwriters), on their own behalf and on behalf of National Bank Financial Inc., Raymond James Ltd., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Sora Group Wealth Advisors Inc. (collectively with Dundee Securities Ltd. and Canaccord Genuity Corp., the "**Underwriters**").

(2) Fees will be paid to the Underwriters at a rate equal to 5.50% of the gross proceeds of the Offering. See "Plan of Distribution".

(3) After deducting the Underwriters' fee, but before deducting expenses of the Offering estimated at $400,000, which will be paid from the proceeds of the Offering. See "Use of Proceeds".

(4) The REIT LP has granted to the Underwriters an over-allotment option (the "**Over-Allotment Option**"), exercisable in whole or in part, at the discretion of the Underwriters, for a period of 30 days from the closing of the Offering, to purchase up to an additional 729,000 Units on the same terms and conditions as set forth above to cover over-allotments, if any, and for market stabilization purposes (for greater clarity, a maximum of 15% of the number of Units sold at Closing (defined below) may be issued pursuant to the Over-Allotment Option). In respect of the Over-Allotment Option, the REIT LP will pay to the Underwriters a fee equal to 5.50% of the gross proceeds realized on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total number of Units sold pursuant to the Offering will be 5,589,000; the total price to the public will be $28,783,350; the total Underwriters fee will be $1,583,084; and the net proceeds to the REIT LP, before deducting the estimated expenses of the Offering, will be $27,200,266. A purchaser who acquires securities forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable upon the exercise of the Over-Allotment Option. See "Plan of Distribution".

The following table sets out the number of Units under the Over-Allotment Option that may be issued by the REIT LP to the Underwriters:

Underwriters' Position	Maximum Size or Number of Securities Held	Exercise Period	Exercise Price
Over-Allotment Option	729,000 Units	Up to 30 days after the Closing Date (defined below) of the Option	$5.15 per Unit

The Underwriters, as principals, conditionally offer the Units, subject to prior sale if, as and when issued and delivered by the REIT LP and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters by Clark Wilson LLP on behalf of the REIT LP and Miller Thomson LLP on behalf of the Underwriters. In connection with this Offering, the Underwriters may engage in transactions that stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may also decrease the price at which the Units are distributed for cash from the price disclosed in this Prospectus.** See "Plan of Distribution".

Subscriptions for Units will be received, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Registration of interests in and transfers of Units held through CDS Clearing and Depository Services Inc. ("**CDS**"), or its nominee, will be made electronically through the non-certificated inventory ("**NCI**") system of CDS. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis on closing (the "**Closing**"). A purchaser of Units (subject to certain exceptions) will receive only a customer confirmation from the registered dealer that is a CDS Participant and from or through which the Units are purchased. The Closing of the Offering is expected to occur on October 18, 2012, or such other date as the REIT LP and the Underwriters may agree (the "**Closing Date**"), but in any event no later than November 6, 2012.

An investment in the securities offered by this Prospectus must be considered speculative and involves risk. See "Risk Factors" and "Forward-Looking Information" for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Units. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

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 Properties acquired by the US REIT, debt covenants and obligations, interest rates, the occupancy rates of the Properties, working capital requirements, future capital requirements and the US REIT's ability to complete future acquisitions. The REIT LP may be required to supplement its cash distributions from working capital. See "Risk Factors". 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.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for income tax purposes of distributions paid by the REIT LP on the Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a Unitholder's cost base in the Unit for tax purposes. The 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 (see "Principal Canadian Federal Income Tax Considerations").

Subject to the qualifications and assumptions discussed under the heading "Principal Canadian Federal Income Tax Considerations", the Units will, on the date of closing, be qualified for investment by the Plans. Adverse tax consequences will generally apply to a Plan and/or its annuitant, beneficiary thereunder or holder thereof, if Units cease to be a qualified investment for the Plans. In respect of an RRSP, an RRIF or a TFSA, adverse tax consequences will also arise if it acquires or holds property that is or becomes a prohibited investment (see "Principal Canadian Federal Income Tax Considerations").

The REIT LP's long-term objectives are to make investments in Pure US Apartments REIT Inc. (the "US REIT") or other subsidiary entities for the purpose of indirectly: (a) generating stable and growing cash distributions on a tax efficient basis from investments in multi-family real estate properties in major markets in the United States; (b) enhancing the value of the REIT LP's assets and maximizing the long-term value of the Properties (as defined herein) through active management; and (c) expanding its asset base and increasing its AFFO through an accretive acquisition program and improvements of the Properties through targeted value added capital programs.

The US REIT is incorporated under the laws of a foreign jurisdiction and, if incorporated, Pure Apartments TRS Inc. will be incorporated under the laws of a foreign jurisdiction. Although the US REIT and Pure Apartments TRS Inc. have or will have appointed Clark Wilson LLP, 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1, as their agent for service of process in British Columbia, it may not be possible for investors to enforce judgements obtained in Canada against the US REIT or Pure Apartments TRS Inc.

Prospective investors should rely only on the information contained in this Prospectus and the documents incorporated by reference herein. The REIT LP has not authorized anyone to provide prospective investors with information different from that contained in this Prospectus. The information contained in the Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Units.

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GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below. Capitalized terms which are not defined in this Prospectus have the meanings given to them in the IPO Prospectus.

"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 trustee 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;

"**Arlington Portfolio**" means the Springmist Property and the Sunset Point Property;

"**Asset Management Agreement**" means the agreement made between the REIT LP and the Managing GP pursuant to which the 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;

"**Bear Creek Property**" means the property comprising 436 residential units located at 1401 Highway 360, Euless, Texas, for which the REIT LP has entered into a conditional purchase and sale agreement;

"**CDS**" means The Canadian Depository for Securities Limited and its successors;

"**CDS Participant**" means a registered securities dealer which maintains a book record of Units held by CDS on behalf of a Unitholder;

"**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;

"**Closing**" means the closing of the Offering;

"**Closing Date**" means October 18, 2012, or such other date as the REIT LP and the Underwriters may agree, but in any event no later than November 6, 2012;

"**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);

"**General Partners**" means the Governing GP and the Managing 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 generally accepted accounting principles determined with reference to International Financial Reporting Standards as defined by the International Accounting Standards Board, and which have been prescribed as being Canadian generally accepted accounting principles for publicly accountable enterprises by the Accounting Standards Board of The Canadian Institute of Chartered Accountants for fiscal years beginning on or after January 1, 2011, as amended from time to time;

"**Initial Portfolio**" means the portfolio comprising an aggregate of 390 multi-family residential units in two properties located at: 3099 Parham Drive, Grand Prairie, Texas and 4924 Sigmond Drive, Arlington, Texas;

"**IPO Prospectus**" means the final prospectus of the REIT LP dated July 3, 2012, pursuant to which the REIT LP completed its initial public offering;

"**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;

"**Offering**" means this short form prospectus offering of 4,860,000 Units at the Offering Price;

"**Offering Price**" means $5.15 per Unit;

"**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;

"**Over-Allotment Option**" means the option granted to the Underwriters pursuant to the Underwriting Agreement to purchase up to 729,000 Units at the Offering Price to cover over-allotments, if any, and for market stabilization purposes;

"**Partners**" means the Governing GP, the Managing GP, the Unitholders and the Class B Unitholders;

"**Person**" or "**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, trustee, 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;

"**Plans**" means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts, each as defined in the Tax Act;

"**Prairie Creek Property**" means the property comprising 464 residential units located at 3260 – 3600 Alma Road, Richardson, Texas;

"**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, 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;

"**Prospectus**" means this short form prospectus and includes all documents incorporated by reference herein;

"**Recently Acquired Properties**" means the properties comprising an aggregate of 1472 multi-family residential units in six properties located at: 3099 Parham Drive, Grand Prairie, Texas; 4924 Sigmond Drive, Arlington, Texas; 8605 North MacArthur Boulevard, Irving, Texas, the Springmist Property, the Sunset Point Property and the Prairie Creek Property;

"**REIT LP**" means the Pure Multi-Family REIT LP;

"**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 Series A preferred share in the capital of the US REIT which is issued to the REIT LP;

"**SIFT tax**" means tax imposed under the Tax Act on specified investment flow-through entities;

"**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, a 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;

"**Springmist Property**" means the property comprising 168 residential units located at 2004 Randy Snow Road, Arlington, Texas;

"**Sunset Point Property**" means the property comprising 240 residential units located at 2015 Randy Snow Road, Arlington, Texas;

"**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;

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

"**TSX-V**" means the TSX Venture Exchange Inc.;

"**Underwriters**" means Dundee Securities Ltd. and Canaccord Genuity Corp. (as co-lead underwriters), on their own behalf and on behalf of National Bank Financial Inc., Raymond James Ltd., Scotia Capital Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Sora Group Wealth Advisors Inc.;

"**Underwriting Agreement**" means the underwriting agreement dated September 25, 2012 between the REIT LP, the Managing GP and the Underwriters regarding the Offering;

"**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;

"**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 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; and

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

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documentation incorporated herein by reference may be obtained on request without charge from the REIT LP at 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, telephone (604) 681-5959 and are also available electronically at www.sedar.com. A copy of the permanent information record may be obtained without charge from the REIT LP at the above mentioned address and telephone number and by accessing the disclosure documents available through SEDAR.

Except to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus, the following documents, filed with the applicable securities regulatory authorities in Canada, are specifically incorporated by reference herein and form an integral part of this Prospectus:

(a) the final prospectus of the REIT LP dated July 3, 2012, pursuant to which the REIT LP completed its initial public offering, except the following: (i) the disclosure under "Exchange Rate Data", "Eligibility for Investment", "Prospectus Summary", "The Offering", "Management's Discussion and Analysis of Results of Operations – Initial Portfolio", "Financial Forecast", "Report on Consolidated Financial Forecast", "Forecast Non-IFRS Reconciliation", "Reconciliation of Net Income to Forecasted Net Income", "Capitalization", "Use of Proceeds", "Plan of Distribution", "Principal Canadian Federal Income Tax Considerations", "Principal United States Federal Income Tax Considerations", "Promoter", "Prior Sales", "Legal Matters and Interests of Experts", "Auditors, Transfer Agent and Registrar", "Exemptions from Certain Disclosure Requirements", "Purchasers' Statutory Rights of Withdrawal and Rescission", "Auditor's Consent", "Financial Statements – Index to Financial Statements", "Certificate of the REIT and the Promoter" and "Certificate of the Agents"; (ii) the auditor's reports, financial statements and other financial information included on pages F-35 to F-45 of the IPO Prospectus; and (iii) any cover page disclosure relating to the foregoing;

(b) the REIT LP's unaudited interim financial statements for the period ended June 30, 2012, except for the notice provided under sub-paragraph 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Requirements*;

(c) the REIT LP's management discussion and analysis of its financial position and results of operations for the period ended June 30, 2012;

(d) the amended and restated business acquisition report of the REIT LP dated September 19, 2012 relating to the acquisition of the Initial Portfolio;

(e) the REIT LP's material change report filed October 11, 2012, with respect to the completion of the acquisition of the Prairie Creek Property for a purchase price of $52,500,000;

(f) the REIT LP's material change report filed October 2, 2012, with respect to the completion of the acquisition of the Arlington Portfolio for a total purchase price of $24,569,000;

(g) the REIT LP's material change report filed July 31, 2012, with respect to the initial cash distribution of $0.021 per Unit payable to Unitholders of record at the close of business on July 31, 2012 and the completion of the acquisition of a property community consisting of 210 residential units located in the Dallas-Fort Worth area for a total purchase price of $22,600,000;

(h) the REIT LP's material change report filed July 19, 2012, with respect to the issuance of 1,500,000 Units at a price of $5.00 per Unit for total proceeds of $7,500,000 pursuant to the exercise in full of the over-allotment option granted to a syndicate of agents in connection with the REIT LP's initial public offering;

(i) the REIT LP ’s material change report filed July 19, 2012, with respect to the completion of the acquisition of two properties comprising an aggregate of 390 residential units located in the Dallas-Fort Worth area for a total purchase price of $21,958,918; and

(j) the REIT LP’s material change report filed July 11, 2012, with respect to the completion of the REIT LP’ initial public offering of 10,000,000 Units at a price of $5.00 per Unit for total gross proceeds of $50,000,000 and the listing for trading of the Units on the TSX-V on July 9, 2012 under the symbol “RUF.U”.

The REIT LP does not have a current annual information form or current annual financial statements and is relying on the exemption in subsection 2.7(1) of National Instrument 44-101 – *Short Form Prospectus Distributions* as the REIT LP filed and obtained a receipt for the IPO Prospectus that includes the required financial statements to enable the REIT LP to rely on such exemption.

Any document of the types referred to in the lettered paragraphs above, including any material change reports (excluding confidential material change reports), business acquisition reports, any news releases issued by the REIT LP that specifically states that it is to be incorporated by reference into this Prospectus, comparative interim financial statements, comparative annual financial statements and the auditors’ report thereon, all management discussion and analysis of the financial condition and results of operations and information circulars (other than those portions that are not required to be incorporated by reference under applicable securities laws) and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* of the Canadian Securities Administrators, which are filed by the REIT LP with a securities commission or similar regulatory authority in any of the provinces of Canada after the date of this Prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Prospectus, to the extent that a statement contained herein, or in any other subsequently filed document that is also incorporated or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or unsuperseded form to constitute part of this Prospectus.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this Prospectus and the documents incorporated by reference herein. The REIT LP has not, and the Underwriters have not, authorized anyone to provide investors with additional or different information from that contained in this Prospectus. The REIT LP is not, and the Underwriters are not, offering to sell these securities in any jurisdictions where the offer or sale of these securities is not permitted. Unless otherwise stated, the information contained in this Prospectus is accurate only as at the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Units. The REIT LP’s business, financial condition, results of operations and prospects may have changed since the date of this Prospectus. If, however, after a receipt for the final Prospectus is issued but before the Closing Date, a material change occurs, the REIT LP will file an amendment to the final Prospectus as soon as practicable, but in any event within 10 days after the day the change occurs.

For investors outside of Canada, none of the REIT LP nor any of the Underwriters has done anything which would permit the Offering, possession or distribution of this Prospectus in any jurisdiction where action for that purposes is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to the Offering and the possession or distribution of this Prospectus.

This Prospectus contains a summary description of certain material agreements of the REIT LP. The summary description discloses all attributes material to an investor in Units but is not complete and is qualified in its entirety by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and made available electronically on SEDAR at www.sedar.com. Investors should read the full text of such material agreements.

MEANINGS OF CERTAIN REFERENCES

Capitalized terms used in this Prospectus are defined under "Glossary of Terms" or in the IPO Prospectus.

The REIT LP's investment and operating activities are limited, because the REIT LP's operating activities will be carried out by the US REIT. For simplicity, the REIT LP uses terms in this Prospectus to refer to the investments and operations of the REIT LP and US REIT as a whole. Accordingly, in this Prospectus, unless the context otherwise requires, the "REIT LP" is referring to the REIT LP and the US REIT, giving effect to the proposed acquisitions described herein. When the REIT LP uses expressions such as "the REIT LP's investments" or "the REIT LP's operations", the REIT LP is referring to the investments and operations of the REIT LP and the US REIT as a whole, in each case, from and after Closing. When the REIT LP uses expressions such as "the Properties", "the REIT LP's portfolio", "the REIT LP owns" or "the REIT LP invests in" in relation to the Properties, the REIT LP is referring to the REIT LP's indirect ownership of and investment in the Properties through its investment in the US REIT. When the REIT LP uses expressions such as "the REIT LP operates", the REIT LP is referring to the REIT LP's indirect operations, as carried out by the US REIT.

EXCHANGE RATE DATA

Except as otherwise stated in this Prospectus, all dollar amounts in this Prospectus, including the price per Unit, are stated in U.S. dollars. The following table reflects the low and high rates of exchange in Canadian dollars for one U.S. dollar during the periods noted, the average rate of exchange during such periods and the rates of exchange at the end of each such period, based on the Bank of Canada's closing exchange rates for the specified periods and dates:

	Three months ended September 30		Year ended December 31		
	2012	2011	2011	2010	2009
	C$	C$	C$	C$	C$
Highest rate during the period	1.0226	1.0482	1.0549	1.0745	1.2991
Lowest rate during the period	0.9683	0.9428	0.9428	0.9946	1.0259
Average rate for the period(1)	0.9954	0.9808	0.9891	1.0303	1.1420
Rate at the end of the period	0.9832	1.0482	1.0170	0.9946	1.0510

Notes:
(1) Determined by averaging the closing rate on each Business Day during the respective period.

As of October 11, 2012, the Bank of Canada closing exchange rate was $1.0218 (1.00 CDN$ = 1.0218US$).

NON-IFRS MEASURES

In this Prospectus, 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 non-controlling 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.

FORWARD LOOKING INFORMATION

This Prospectus contains forward-looking information. Statements other than statements of historical fact contained in this Prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT LP's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities; and statements regarding the REIT LP's future economic performance. The REIT LP has based these forward-looking statements on the REIT LP's current expectations about future events. Some of the specific forward-looking statements in this Prospectus include, but are not limited to, statements with respect to: (i) the REIT LP's intention to provide stable, sustainable and growing cash flows through investments in multi-family real estate in the United States and the REIT LP's other stated objectives; (ii) the REIT LP's intention to make regular monthly cash distributions; (iii) the REIT LP's plan to cause the US REIT to acquire the Bear Creek Property; (iv) the REIT LP's ability to execute the REIT LP's business and growth strategies, including by making additional acquisitions of properties in the REIT LP's target markets; (v) forecast NOI figures or data derived from forecast NOI relating to individual properties or property type or geography; (vi) the expected tax treatment of the REIT LP's distributions to Unitholders; (vii) the REIT LP's access to available sources of debt and equity financing; (viii) expectations for Units to be considered "regularly traded" on an established securities market; (ix) expectations, including anticipated trends and challenges, in respect of the multi-family real estate sector in the REIT LP's target markets; and (x) the expected level of foreign tax, if any, payable on amounts that give rise to the REIT LP's distributable income.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the REIT LP believes that the expectations reflected in such forward-looking information are reasonable, the REIT LP can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this Prospectus as well as the following: (i) the REIT LP will receive financing on acceptable terms; (ii) the REIT LP's future level of indebtedness and the REIT LP's future growth potential will remain consistent with the REIT LP's current expectations; (iii) there will be no changes to tax laws adversely affecting the REIT LP's financing capability, operations, activities, structure or distributions; (iv) the REIT LP will retain and continue to attract qualified and knowledgeable personnel as the REIT LP expands its portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on the REIT LP's operations, including the REIT LP's financing capability and asset value, will remain consistent with the REIT LP's current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting the REIT LP's operations; (vii) conditions in the international and, in particular, the United States real estate market, including competition for acquisitions, will be consistent with current conditions; and (viii) capital markets will provide the REIT LP with readily available access to equity and/or debt financing.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under "Risk Factors". Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

The forward-looking information contained in this Prospectus is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this Prospectus is as of the date of this Prospectus. The REIT LP does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause the REIT LP's actual results to differ from current expectations, see "Risk Factors".

ELIGIBILITY FOR INVESTMENT

In the view of KPMG LLP and Miller Thomson LLP, provided that the Units are listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX-V (Tiers 1 and 2)), the Units, if issued on the date hereof, would be qualified investments under the Tax Act and the Regulations for trusts governed by Plans.

Notwithstanding the foregoing, 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 a "prohibited investment" as defined in the Tax Act for the TFSA, RRSP or RRIF. The Units will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the REIT LP for the purposes of the Tax Act or has a "significant interest" as defined in the Tax Act in the REIT LP or in a corporation, partnership or trust with which the REIT LP does not deal at arm's length for the purposes of the Tax Act. Prospective purchasers should consult their own tax advisors to ensure that the Units would not be a "prohibited investment" for a trust governed by a TFSA, RRSP, or RRIF in their particular circumstances.

CASH DISTRIBUTIONS

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 Properties acquired by the US REIT, debt covenants and obligations, interest rates, the occupancy rates of the Properties, working capital requirements, future capital requirements and the US REIT's ability to complete future acquisitions. The REIT LP may be required to supplement its cash distributions from working capital. See "Risk Factors". 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.

PURE MULTI-FAMILY REIT LP

Overview of the REIT LP

Pure Multi-Family REIT LP is a recently established limited partnership formed under the *Limited Partnerships Act* (Ontario) which has been formed to invest in quality multi-family real estate properties in major markets in the United States. The REIT LP was established by Pure MultiFamily Management Limited Partnership, its managing general partner, and Pure Multi-Family REIT (GP) Inc., its governing general partner, pursuant to the terms of the REIT LP Agreement. The REIT LP 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 the REIT LP and taking other actions besides the mere protection and preservation of the REIT LP Property. The REIT LP's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The Managing GP will be the managing general partner of the REIT LP. The Managing GP is affiliated with Sunstone and controlled by Darren Latoski and Stephen Evans, giving the REIT LP access to the Sunstone Group's experienced management team and extensive network of relationships in the United States multi-family real estate market. Since 2002, the Sunstone Group has identified, acquired, managed and divested approximately $1.2 billion in income-producing real estate in Canada and the United States, including over $280 million in twelve U.S. multi-family real estate properties acquired since 2008.

As well, Messrs. Latoski and Evans founded Pure Industrial Real Estate Trust ("PIRET") in 2007. PIRET is a publicly-listed real estate investment trust established for the purposes of acquiring, owning and operating a diversified portfolio of income-producing industrial properties in primary markets across Canada. Since inception, PIRET has raised approximately CDN$294 million in equity financing and acquired a portfolio of 72 industrial properties in Canada having a total value of approximately CDN $508 million.

On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units of the REIT LP and paid cash consideration of $5.00 per Class B Unit, for aggregate proceeds to the REIT LP of $1,000,000. The Managing GP, as the only Class B Unitholder, owns a 5% interest in the REIT LP.

The REIT LP completed its initial public offering on July 10, 2012 and the over-allotment option granted in connection therewith on July 18, 2012. To date, the REIT LP has used the proceeds from its initial public offering and the over-allotment option to acquire six multi-family residential properties comprising an aggregate of 1472 residential units located in the Dallas-Fort Worth area and having an aggregate purchase price of $121.6 million.

DESCRIPTION OF THE BUSINESS

The principal business of the REIT LP will be to issue Units and to acquire and hold Common Shares and the ROC Share issued by the US REIT.

The REIT LP's long-term objectives are to make investments in the US REIT or other subsidiary entities for the purpose of indirectly: (a) generating stable and growing cash distributions on a tax-efficient basis from investments in multi-family real estate properties in major markets in the United States; (b) enhancing the value of the REIT LP's assets and maximizing the long-term value of the Properties through active management; and (c) expanding its asset base and increasing its AFFO through an accretive acquisition program and improvements of the Properties through targeted value added capital programs.

The REIT LP intends to pursue the following strategies to achieve the REIT LP's objectives:

Acquisition Strategy

The REIT LP's core strategy is to invest in quality multi-family real estate properties in major markets in the United States. 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 United States, 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.

Financing 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.

Portfolio Management Strategy

The REIT LP'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, through the Managing GP, will provide asset management and, initially, property management services to the REIT LP and US REIT. The Sunstone Group's experienced management team plans to capture the economic upside potential in each individual property through strategic management, upgrades to the property 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 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 Asset Group, Inc. 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 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 United States 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" in the REIT LP's IPO Prospectus filed on SEDAR at www.sedar.com.

Distribution Strategy

The REIT LP intends to satisfy its monthly distributions to Unitholders using available cash to the maximum extent possible. The amount of cash available for distribution will be equal to the monthly cash receipts of the REIT LP less reserves and any other amounts that the Governing GP reasonably considers are required for expenses and other obligations of the REIT LP. All distributions will be made to the holders of the Units and the Class B Units in accordance with the Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As further detailed in the REIT LP Agreement, until a Determination Event occurs, all distributions from the REIT LP will be made 95% to the Units and 5% to the Class B Units.

The REIT LP currently intends to make a cash distribution to Unitholders of $0.03 per Unit per month ($0.36 per Unit on an annual basis). The REIT LP intends to make monthly distributions to Unitholders of record on the last business day of each month. Distributions will be paid within 15 days following the end of each month. The REIT LP may also make additional distributions in excess of monthly distributions during the year, as the Managing GP may determine. All distributions will consist of U.S. source income and/or return of capital and will be paid in U.S. dollars.

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.

RECENT DEVELOPMENTS

Initial Public Offering

On July 10, 2012, the REIT LP completed its initial public offering of 10,000,000 Units at a price of $5.00 per Unit for total gross proceeds of $50,000,000. The Units, which were listed for trading of the Units on the TSX-V on July 9, 2012 under the symbol “RUF.U”, commenced trading on July 10, 2012.

On July 18, 2012, the REIT LP issued 1,500,000 Units at a price of $5.00 per Unit for total proceeds of $7,500,000 pursuant to the exercise in full of the over-allotment option granted to a syndicate of agents in connection with the REIT LP’s initial public offering.

The net proceeds from the REIT LP’s initial public offering, including the over-allotment option, were intended to be used to acquire the Initial Portfolio and other prospective acquisitions of income producing properties and for general working capital purposes. The following table provides a description of the REIT LP’s actual use of such proceeds, including purchase prices (before closing adjustments), mortgage proceeds and balance of funds to complete each acquisition:

Property	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Funds used to Complete
3099 Parham Drive, Grand Prairie, Texas	$8,378,785	$5,090,000	$3,288,785
4924 Sigmond Drive, Arlington, Texas	$13,580,133	$8,940,000	$4,640,133
8605 North MacArthur Boulevard, Irving, Texas	$22,600,000	$13,680,000	$8,920,000
Arlington Portfolio	$24,569,000	$15,970,000	$8,599,000
Prairie Creek	$52,500,000	$32,600,000	$19,900,000
Unallocated working capital			$7,262,082
Totals	**$121,627,918**	**$76,280,000**	**$52,610,000**[(1)]

Notes:

(1) Represents the total proceeds from the initial public offering, including the over-allotment option, of $57,500,000, less agency fees of $3,450,000, offering costs of $1,400,000 and listing fees of $40,000.

Distributions

On July 19, 2012, the Governing GP approved the initial cash distribution of $0.021 per Unit for the period ended July 31, 2012. The distribution was paid on August 15, 2012 to Unitholders of record at the close of business on July 31, 2012.

On August 21, 2012, the Governing GP approved a cash distribution of $0.03 per Unit for the month of August 2012. The distribution was paid on September 17, 2012 to Unitholders of record at the close of business on August 31, 2012.

On September 18, 2012, the Governing GP approved a cash distribution of $0.03 per Unit for the month of September 2012. The distribution will be paid on October 15, 2012 to Unitholders of record at the close of business on September 28, 2012.

Recently Acquired Properties

From July 3, 2012 to October 11, 2012, the REIT LP completed the acquisition of the Recently Acquired Properties, consisting of an aggregate of 1,472 residential units located in the Dallas-Fort Worth area and having an aggregate purchase price of $121,627,918. These properties are described below:

July 12, 2012 Acquisitions

On July 12, 2012, the REIT LP indirectly acquired the property located at 3099 Parham Drive, Grand Prairie, Texas for $8,378,785, which represents a capitalization rate of 7.6%. It financed a portion of the purchase price with mortgage financing in the amount of $5,090,000, which bears interest at 3.52% per annum. The mortgage has a term of seven years. The property has a total of 154 residential units, total rentable area of 118,976 square feet and is situated on an 8.5 acre site. It contains 13 two-storey apartment buildings, one clubhouse, one leasing office, and includes a long list of amenities designed to attract and retain tenants, including a multi-level pool with waterfall, a jacuzzi, a picnic and barbeque area, a fitness center, nine-foot ceilings, walk-in closets, private patios and balconies, ceramic tile, hardwood style flooring, ceiling fans, private alarms, outside storage, and French doors. As of the closing of the acquisition, the property was 96% occupied. For a more detailed description of the property and financial and other information relating thereto, see "The Initial Portfolio – Description of the Initial Portfolio" in the REIT LP's IPO Prospectus and the amended and restated business acquisition report dated September 19, 2012 filed on SEDAR at www.sedar.com.

On July 12, 2012, the REIT LP indirectly acquired the property located at 4924 Sigmond Drive, Arlington, Texas, for $13,580,133, which represents a capitalization rate of 7.6%. It financed a portion of the purchase price with mortgage financing in the amount of $8,940,000, which bears interest at 3.28% per annum. The mortgage has a term of five years. The property has a total of 236 residential units, total rentable area of 181,372 square feet and is situated on a 10.2 acre site. It contains 17, two-storey buildings, one clubhouse, and, one leasing office. The property includes a long list of amenities designed to attract and retain tenants, including two swimming pools, a jacuzzi, two tennis courts, a 24 hour fitness center, ceiling fans, hardwood style flooring, walk-in closets, wood-burning fireplaces, private alarms, private patios and balconies and dishwashers. As of the closing of the acquisition, the property was 95.3% occupied. For a more detailed description of the property and financial and other information relating thereto, see "The Initial Portfolio – Description of the Initial Portfolio" in the REIT LP's IPO Prospectus and the amended and restated business acquisition report dated September 19, 2012 filed on SEDAR at www.sedar.com.

Each of the properties located at 3099 Parham Drive, Grand Prairie, Texas and 4924 Sigmond Drive, Arlington, Texas were previously owned by separate limited partnerships. The general partner of both of such limited partnerships was a company which is under common control with the general partner of the limited partnerships which are the vendors of the Arlington Portfolio. As a result, the properties located at 3099 Parham Drive, Grand Prairie, Texas and 4924 Sigmond Drive, Arlington, Texas and the Arlington Portfolio may be considered related businesses by virtue of being under common control.

July 18, 2012 Acquisition

On July 18, 2012, the REIT LP indirectly acquired the property located 8605 North MacArthur Boulevard, Irving, Texas, for $22,600,000, which represents a capitalization rate of 6.9%. It financed a portion of the purchase price with mortgage financing in the amount of $13,680,000, which bears interest at 3.51% per annum. The mortgage has a term of ten years.

The property is located in the Valley Ranch planned community, in the centre of the Dallas-Fort Worth area, approximately 20 minutes from both the Dallas and Fort Worth central business districts. Valley Ranch is a 2,500 acre community, with over 30,000 residents and 30 distinct suburban neighbourhoods. Deed restrictions and architectural standards maintain the character of Valley Ranch, and are governed by three community associations.

The property has a total of 210 multi-family units and 208,136 square feet of rentable space. It was constructed in 1999 and includes 14 two and three-storey buildings situated on an 11.2 acre site. The buildings are wood frame over reinforced concrete. Buildings have pitched roofs made up of composition shingles, and painted stucco exteriors. Windows are insulated, with aluminum frames with baked-on finish. Doors are reinforced metal-clad. The units have nine-foot ceilings, some of which are vaulted, with ceiling fans in some units. Living rooms feature crown moldings with a painted finish and all walls feature baseboards. Designer kitchens include wall-hung cabinets, faux-granite counter-tops, frost-free refrigerators with ice marker, garbage disposals, range, dishwasher and microwaves with vent hoods. All units have full-size washer and dryer connections. Select units have attached garages with direct entry. Each unit includes an intrusion alarm and smoke alarms. In addition, the property has a total of 401 parking spaces. As of the closing of the acquisition, the property was over 95% occupied.

To the knowledge of the REIT LP and except as described below, there has been no valuation opinion obtained within the last 12 months by the previous owners or by the REIT LP to support the consideration paid by the REIT LP for the property. The purchase price for the property was supported by an appraisal dated May 2, 2012 prepared by Deverick & Associates, Inc. (the "**Valley Ranch Appraisal**"). The Valley Ranch Appraisal was prepared by a qualified and independent appraiser using established industry valuation methodologies. The Valley Ranch Appraisal indicates that the appraised value of the property is $22,500,000. The Valley Ranch Appraisal contains additional financial and other information and is available on SEDAR at www.sedar.com.

The property is the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant in May, 2012. The purpose of the Phase I environmental site assessment report was to assess whether evidence of potential or actual environmental contamination exists at the property. The report was prepared in accordance with general industry practice for Phase 1 environmental site assessment reports. The report indicated that there is no evidence of recognized environmental conditions in connection with the property. The consultant did not recommend any further investigations for the property.

A physical needs assessment report was prepared for the property by an independent engineering firm in May 2012 for the purpose of assessing and documenting the existing condition of the property and to identify immediate physical needs. The report states that the property appears to have been constructed within industry standards in force at the time of construction and to have been well maintained during recent years, and is in adequate overall condition. The report identified $34,250 in capital needs during the first year of ownership.

September 26, 2012 Acquisitions

On September 26, 2012, the REIT LP indirectly acquired the Arlington Portfolio, consisting of the Springmist Property and the Sunset Point Property, for an aggregate purchase price of $24,569,000, which represents a capitalization rate of 7%. The REIT LP funded the acquisitions with equity from its initial public offering that closed on July 10, 2012. It financed a portion of the purchase price with combined mortgage financing in the amount of $15,970,000, which bears interest at 3.54% per annum. The mortgage has a term of ten years, interest only for the first two years, and a 30 year amortization period.

The Arlington Portfolio consists of: (i) the Sunset Point Property, located at 2015 Randy Snow Road, Arlington, Texas, which was acquired for a purchase price of $14,230,000; and (ii) the Springmist Property, located at 2004 Randy Snow Road, Arlington, Texas, which was acquired for a purchase price of $10,339,000, as described below:

<u>The Sunset Point Property</u>

The Sunset Point Property has a total of 240 residential units and 172,736 square feet of rentable space. It was constructed in 1984 and includes 19 two-storey apartment buildings situated on a 10.3 acre site. The buildings are constructed with concrete slab-on-grade foundations, wood framing, pitched roofs covered with asphalt shingles and brick and stucco walls. Interior finishes consist of painted gypsum board walls, painted gypsum board ceilings, and carpet and vinyl tile floors. The unit amenities include a standard appliance package, ceiling fan(s), patio/balcony, extra storage, walk-in closets, and a pantry. Select units feature a fireplace, microwave, faux wood flooring, brushed nickel hardware, and/or an upgraded black-on-black appliance package. The property amenities include a swimming pool, clubhouse, business center, carports, laundry facility, and access gates. The property has 386 open surface parking spaces and 48 carports, for a total of 434 parking spaces. As of August 29, 2012, the Sunset Point Property was 96% occupied.

To the knowledge of the REIT LP and except as described below, there has been no valuation opinion obtained within the last 12 months by the previous owners or by the REIT LP to support the consideration paid by the REIT LP for the Sunset Point Property. The purchase price for the Sunset Point Property was supported by an appraisal dated August 1, 2012 prepared by Deverick & Associates, Inc. (the "**Sunset Appraisal**"). The Sunset Appraisal was prepared by a qualified and independent appraiser using established industry valuation methodologies. The Sunset Appraisal indicates that the appraised value of the Sunset Point Property is $14,300,000.

The Sunset Point Property is the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant in August, 2012. The purpose of the Phase I environmental site assessment report was to assess whether evidence of potential or actual environmental contamination exists at the Sunset Point Property. The report was prepared in accordance with general industry practice for Phase 1 environmental site assessment reports. The report indicated that there is no evidence of recognized environmental conditions in connection with the Sunset Point Property. The consultant did not recommend any further investigations for the Sunset Point Property.

A physical needs assessment report was prepared for the Sunset Point Property by an independent engineering firm in August 2012 for the purpose of assessing and documenting the existing condition of the property and to identify immediate physical needs. The report indicated that the Sunset Point Property appears to have been constructed within industry standards in force at the time of construction, to have been well maintained during recent years, and is in excellent overall condition. The report identified $45,950 in capital needs during the first year of ownership.

<u>The Springmist Property</u>

The Springmist Property has a total of 168 residential units and 134,688 square feet of rentable space. It was constructed in 1983 and includes 17 two-storey apartment buildings situated on a 7.3 acre site. The buildings are constructed with concrete slab-on-grade foundations, wood framing, pitched roofs covered with asphalt shingles and brick and stucco walls. Interior finishes consist of painted gypsum board walls; painted gypsum board ceilings; and carpet and vinyl tile floors. The unit amenities include a standard appliance package, patio/balcony, extra storage, walk-in closets, and a pantry. Select units feature a fireplace, ceiling fans(s), microwave, faux wood flooring, brushed nickel hardware, and/or an upgraded black-on-black appliance package. The property amenities include two swimming pool, clubhouse, BBQ grills, carports, laundry facility, and access gates. The property has 273 open surface parking spaces and 34 carports, for a total of 307 parking spaces. As of August 29, 2012, the Springmist Property was 96% occupied.

To the knowledge of the REIT LP and except as described below, there has been no valuation opinion obtained within the last 12 months by the previous owners or by the REIT LP to support the consideration paid by the REIT LP for the Springmist Property. The purchase price for the property was supported by an appraisal dated August 1, 2012 prepared by Deverick & Associates, Inc. (the "**Springmist Appraisal**"). The Springmist Appraisal was prepared by a qualified and independent appraiser using established industry valuation methodologies. The Springmist Appraisal indicates that the appraised value of the Springmist Property is $10,400,000.

The Springmist Property is the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant in August, 2012. The purpose of the Phase I environmental site assessment report was to assess whether evidence of potential or actual environmental contamination exists at the Springmist Property. The report was prepared in accordance with general industry practice for Phase 1 environmental site assessment reports. The report indicated that there is no evidence of recognized environmental conditions in connection with the Springmist Property. The consultant did not recommend any further investigations for the Springmist Property.

A physical needs assessment report was prepared for the Springmist Property by an independent engineering firm in August 2012 for the purpose of assessing and documenting the existing condition of the property and to identify immediate physical needs. The report indicated that the Springmist Property appears to have been constructed within industry standards in force at the time of construction, to have been well maintained during recent years, and is in adequate overall condition. The report identified $47,005 in capital needs during the first year of ownership.

The acquisition of the Arlington Portfolio is consistent with the REIT LP's business strategy to invest in quality multi-family real estate properties in major markets in the United States. Accordingly, the acquisition of the Arlington Portfolio required no changes to the REIT LP's business affairs or structure, nor are any changes contemplated as a result thereof. The effects of the acquisition on the assets and operations of the REIT LP are set out in the *pro forma* financial statements included in this Prospectus. See "Index to Financial Statements – Arlington Portfolio".

The vendors of the Springmist Property and the Sunset Point Property are separate limited partnerships. The general partner of both limited partnerships, is a company controlled by Terry Holden (the "**ManageCo**"). ManageCo was also the general partner of the limited partnerships which were the vendors of the Initial Portfolio. ManageCo has an agreement in place with one property manager, which managed the Initial Portfolio, the Springmist Property and the Sunset Point Property. The Sunset Point Property was acquired by Sunstone Realty Advisors (Delaware), Inc. from Sunset Point Investors, Ltd. pursuant to a purchase and sale agreement dated July 23, 2012. The Springmist Property was acquired by Sunstone Realty Advisors (Delaware), Inc. from Springmist Investors, Ltd. pursuant to a purchase and sale agreement dated July 23, 2012. Sunstone Realty Advisors (Delaware) Inc. assigned its rights under both agreements to the US REIT. There is no relationship between Springmist Investors, Ltd. and Sunstone Realty Advisors (Delaware), Inc. or between Sunset Point Investors, Ltd. and Sunstone Realty Advisors (Delaware), Inc. Both properties were indirectly acquired by the REIT LP through arm's length transactions from unaffiliated and independent third parties.

October 11, 2012 Acquisition

On October 11, 2012, the REIT LP indirectly acquired the Prairie Creek Property, for $52,500,000, which represents a capitalization rate of 7.4%. It financed a portion of the purchase price with the assumption of the existing mortgage loan in the amount of approximately $32,600,000, which bears interest at 6.02% per annum. The mortgage has a term which matures in March, 2019.

The Prairie Creek Property has a total of 464 residential units and 464,020 square feet of rentable space. It was constructed in two phases, the first phase was completed in 1997 and the second phase was completed in 1999, and includes 45 two-storey apartment buildings situated on a 38.6 acre site. The building superstructures consist of conventional wood frame construction. The buildings are constructed on cast-in-place concrete slabs-on-grade with integral perimeter and interior concrete grade beams. The exterior surfaces are primarily finished with brick veneer and painted horizontal fiber cement board siding and painted wood trim. The buildings include aluminum-framed windows, concrete patios, and wood-framed balconies with concrete topping and metal railing systems. Interior walls of the apartments consist of painted drywall. Floor finishes are vinyl composition flooring in the kitchens and bathrooms, ceramic tile foyers, and carpet in the living areas and bedrooms. Select units have ceramic tile in kitchens and bathrooms. The property amenities include two swimming pools, leasing office building with business centre, clubhouse building, two one-storey detached multi-car garage buildings, fitness room, coffee bar, sitting/leisure areas and maintenance office and 15-seat movie room. The property has 410 regular surface parking spaces, 440 direct-access garage stalls, 24 detached garage stalls, and no carports, for a grand parking total of 874 parking spaces. As of September 24, 2012, the Prairie Creek Property was 97% occupied.

To the knowledge of the REIT LP and except as described below, there has been no valuation opinion obtained within the last 12 months by the current owners or by the REIT LP to support the consideration to be paid by the REIT LP for the Prairie Creek Property. The purchase price for the property was supported by an appraisal dated August 31, 2012 prepared by Deverick & Associates, Inc. (the "**Prairie Creek Appraisal**"). The Prairie Creek Appraisal was prepared by a qualified and independent appraiser using established industry valuation methodologies. The Prairie Creek Appraisal indicates that the appraised value of the Prairie Creek Property is $59,000,000.

The Prairie Creek Property is the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant in September, 2012. The purpose of the Phase I environmental site assessment report was to assess whether evidence of potential or actual environmental contamination exists at the Prairie Creek Property. The report was prepared in accordance with general industry practice for Phase 1 environmental site assessment reports. The report indicated that there is no evidence of recognized environmental conditions in connection with the Prairie Creek Property. The consultant did not recommend any further investigations for the Prairie Creek Property.

A property condition assessment report was prepared for the Prairie Creek Property by an independent engineering firm in September 2012 for the purpose of assessing and documenting the existing condition of the property and to identify immediate physical needs. The report indicated that the Prairie Creek Property is in good condition for its age and usage. The report identified $90,550 in capital needs during the first year of ownership.

The acquisition of the Prairie Creek Property is consistent with the REIT LP's business strategy to invest in quality multi-family real estate properties in major markets in the United States. Accordingly, the acquisition of the Prairie Creek Property required no changes to the REIT LP's business affairs or structure, nor are any changes contemplated as a result thereof. The effects of the acquisition on the assets and operations of the REIT LP are set out in the *pro forma* financial statements included in this Prospectus. See "Index to Financial Statements – M&A Texas Prairie LP (Prairie Creek)".

The Prairie Creek Property was acquired by Sunstone Realty Advisors (Delaware), Inc. from M&A Texas Prairie LP pursuant to a purchase and sale agreement dated June 4, 2012, as amended June 25, 2012 and September 19, 2012. Sunstone Realty Advisors (Delaware) Inc. assigned its rights under the purchase and sale agreement to the US REIT at no cost, other than the reimbursement of deposits paid and all third party due diligence costs. There is no relationship between Sunstone Realty Advisors (Delaware), Inc. and M&A Texas Prairie LP. The acquisition of the Prairie Creek Property was an arm's length transaction from an unaffiliated and independent third party.

Property under Contract

On August 23, 2012, the REIT LP announced that it entered into a conditional purchase and sale agreement in respect of the Bear Creek Property. See "Use of Proceeds – Description of the Bear Creek Property".

CONSOLIDATED CAPITALIZATION

The following table sets out the REIT LP's consolidated capitalization as at June 30, 2012 after giving effect to the acquisition of the Recently Acquired Properties with an aggregate purchase price of $121,627,918 and aggregate mortgages payable of $76,280,000 and the *pro forma* consolidated capitalization of the REIT LP as at June 30, 2012, after giving effect to this Offering, the acquisition of: (i) the Recently Acquired Properties with an aggregate purchase price of $121,627,918 and aggregate mortgages payable of $76,280,000, and (ii) the Bear Creek Property with purchase price of $49,350,000 and expected mortgage payable of $32,077,500. This table should be read in conjunction with the financial statements and notes thereto incorporated by reference in this Prospectus.

Although the REIT LP intends to acquire the Bear Creek Property, and to finance such acquisition as described under the heading "Description of Business – Financing Strategy", there can be no assurance that the REIT LP will complete the acquisition of the Bear Creek Property on the basis described in this Prospectus or at all.

Description	Outstanding at June 30, 2012 after the acquisition of the Recently Acquired Properties (unaudited)	Outstanding at June 30, 2102 after giving effect to the Offering and the acquisition of the Recently Acquired Properties and the Bear Creek Property (unaudited)
Mortgages payable	$76,280,000[(1)]	$108,357,500[(2)]
Unitholders Equity (Units – Authorized: unlimited)	$53,610,020[(3)] (11,500,000 Units) [(3)]	$76,862,425 [(4)] (16,360,000 Units)
(Class B Units – Authorized: unlimited)[(2)]	(200,000 Class B Units)[(5)]	(200,000 Class B Units)[(5)]
Total Capitalization	**$129,890,020**	**$185,219,925**

Notes:

(1) Includes mortgages payable as follows: (i) $5,090,000 in respect of the property located at 3099 Parham Drive, Grand Prairie, Texas, which was acquired on July 12, 2012; (ii) $8,940,000 in respect of the property located 4924 Sigmond Drive, Arlington, Texas, which was acquired on July 12, 2012; (iii) $13,680,000 in respect of the property located 8605 North MacArthur Boulevard, Irving, Texas, which was acquired on July 18, 2012; (iv) $15,970,000 in respect of the Arlington Portfolio, which was acquired on September 26, 2012; and (v) $32,600,000 in respect of the Prairie Creek Property, which was acquired on October 11, 2012.

(2) Includes mortgages payable as follows: (i) $5,090,000 in respect of the property located at 3099 Parham Drive, Grand Prairie, Texas, which was acquired on July 12, 2012; (ii) $8,940,000 in respect of the property located 4924 Sigmond Drive, Arlington, Texas, which was acquired on July 12, 2012; (iii) $13,680,000 in respect of the property located 8605 North MacArthur Boulevard, Irving, Texas, which was acquired on July 18, 2012; (iv) $15,970,000 in respect of the Arlington Portfolio, which was acquired on September 26, 2012; (v) $32,600,000 in respect of the Prairie Creek Property, which was acquired on October 11, 2012; and (vi) $32,077,500 in respect of the Bear Creek Property.

(3) Includes the net proceeds from the initial public offering, including the exercise in full of the over-allotment option, of 11,500,000 Units at a price of $5.00 per Unit, proceeds from the issuance of 200,000 Class B Units at a price of $5.00 per Unit, $20 initial general partner contribution less agency fees of $3,450,000, offering costs of $1,400,000 and listing fees of $40,000.

(4) Includes the net proceeds from this Offering less the Underwriters' fees of $1,376,595 and estimated offering costs of $400,000. The amounts noted are shown on the basis that the Over-Allotment Option is not exercised.

(5) See "The Securities Offered – The REIT LP" in the IPO Prospectus filed on SEDAR at www.sedar.com for more information on the Units and Class B Units.

USE OF PROCEEDS

The net proceeds from this Offering will be approximately $23,252,405 (or $26,800,266 if the Over-Allotment Option is exercised in full) after deducting the Underwriters' commission of $1,376,595 (or $1,583,084 if the Over-Allotment Option is exercised in full) and expenses of this Offering estimated at $400,000. The REIT LP intends to use the net proceeds of the Offering to fund the acquisition of the Bear Creek Property, prospective acquisitions of income producing multi-family real estate properties and for general working capital purposes.

The table below summarizes the purchase price (before closing adjustments), estimated mortgage financing and estimated balance of funds required by the REIT LP to complete the acquisition of the Bear Creek Property:

Property	Purchase Price (Before Closing Adjustments)	Estimated Mortgage Proceeds	Estimated Balance Required to Close Assuming No Exercise of Over-Allotment Option	Estimated Balance Required to Close Assuming Exercise of Over-Allotment Option
Bear Creek Property	$49,350,000	$32,077,500	$17,272,500	$17,272,500
Unallocated working capital			$5,979,905	$9,527,766
Totals	**$49,350,000**	**$32,077,500**	**$23,252,405**	**$26,800,266**

The REIT LP intends to use funds currently available to pay costs incurred in the purchase of the Bear Creek Property, including, without limitation, all due diligence inspections and reviews of the Bear Creek Property, third party consultant's fees, closing adjustments, legal and accounting fees, financing fees paid to third party mortgage lenders, insurers and brokers, other closing costs and transfer fees and taxes. The REIT LP intends to use any balance of the unallocated working capital to fund future acquisitions and for general working capital purposes.

Description of the Bear Creek Property

Sunstone Realty Advisors (Delaware) Inc. entered into a conditional purchase and sale agreement dated August 14, 2012, with IRA Stoneleigh, DST, a Delaware statutory trust, an unaffiliated and independent third party to the REIT LP, in respect of the Bear Creek Property, located at, 1401 Highway 360, Euless, Texas, for a purchase price $49,350,000, representing a capitalization rate of 7%. The agreement was terminated by way of notice pursuant to the terms of the agreement on September 24, 2012 and reinstated by way of a reinstatement of and first amendment to the purchase and sale agreement dated September 27, 2012 between the same parties to the original purchase and sale agreement. If and when the acquisition is completed, Sunstone Realty Advisors (Delaware) Inc. will assign its rights under the purchase and sale agreement to the US REIT at no cost, other than the reimbursement of deposits paid and all third party due diligence costs. The REIT LP intends to finance the purchase price with mortgage financing in an amount of up to 65% of the purchase price at market interest rates. The mortgage is expected to have a term of 7 years and a 30 year amortization period.

The Bear Creek Property has a total of 436 residential units and 419,440 square feet of rentable space. It was constructed in 2004 and includes 31 buildings situated on a 28.0 acre site. There are 18 different floor plans, which include one bedroom/one bathroom, one bedroom/bathroom/den, two bedroom/bathroom, and three bedroom/two bathroom designs. The average unit size is 962 square feet. Average rent per unit is $1,197, or $1.24 per square foot. As of June, 2012, the Bear Creek Property was 98% occupied.

The exterior of the buildings are stucco and stone and feature pitched roofs. Interior finishes consist of double-paned windows, ceramic tile, crown molding and decorative molding. The unit amenities include designed black-on-black appliance package, pass through bar, dishwasher, oval garden-style tubs, recessed lighting, ceiling fans in all living and master bedrooms, mini-blinds, vertical blinds, french door to patio/balcony, wiring for cable television and high speed internet, patio/balcony, and outside storage. Select units feature a kitchen island, separate utility room, coat closet, hallway closet, walk-in closet for master bedroom, angled walls, wood-burning fire places with wood mantel, built-in bookshelves, and a built-in desk. The property amenities include two resort-style swimming pools, heated spa, poolside gazebo, clubroom lounge area with large flat screen television, fully equipped kitchen, fitness centre, billiards table, picnic and barbeque grills, and access gates. The property has a total of 955 parking spaces, including standard surface spaces, handicap surface spaces, carport spaces, direct access garages, attached garages and detached garages.

Factors Affecting Mortgage Financing for the Bear Creek Property

The acquisition of the Bear Creek Property remains conditional. The REIT LP has satisfied the standard due diligence review conditions set out in the purchase agreement for the Bear Creek Property, but the acquisition remains subject to the REIT LP obtaining mortgage financing in an amount sufficient to complete the acquisition, and on terms satisfactory to the REIT LP.

There are a number of factors which impact the ability of the REIT LP to obtain mortgage financing for the Bear Creek Property. First, the REIT LP intends to obtain mortgage financing in an amount which exceeds $25,000,000, which may limit the number of potential lenders and may result in delays and additional scrutiny by the potential lenders, or result in additional, non-standard security being requested. Second, the REIT LP is a relatively new entity with a very brief operating history and a relatively small portfolio. Third, potential lenders will be concerned that the REIT LP, as the ultimate indirect owner of the Bear Creek Property, is a foreign entity. Fourth, any mortgage of the Bear Creek Property is likely to be structured as a "conduit" loan, which generally entails several levels of approval and will require an additional level of approval given the anticipated mortgage principal amount in excess of $25,000,000. Last, it has been the Managing GP's experience that the availability of mortgage financing (particularly loans through Freddie Mac and Fannie Mae) in the United States multi-family sector has been cyclical over the past two to three years and has been impacted by factors such as general economic conditions. Such factors increase the complexity of the loan approval process and extend the timeline for approval.

Although the REIT LP is in discussions with potential lenders, it has not entered into a term sheet or commitment letter in respect of potential financing. There is no assurance that lenders will be satisfied with their review of the REIT LP nor that the REIT LP will be able to obtain mortgage financing on acceptable terms, or at all. Further, the date by which the REIT LP must obtain satisfactory mortgage financing is currently October 19, 2012. There is no assurance that the REIT LP will be able to obtain such financing by such date or that the vendor of the Bear Creek Property will extend such date. Accordingly, the REIT LP is of the view that the acquisition of the Bear Creek Property does not meet the level of probability described in Item 10.2(2) of Form 44-101F1.

Alternate Use of Proceeds

In the event that the REIT LP does not complete the acquisition of the Bear Creek Property, all of the net proceeds from this Offering (being $23,252,405, or $26,800,266 if the Over-Allotment Option is exercised in full) will be used by the REIT LP to fund other acquisitions in accordance with its ongoing acquisition program, provided that the REIT LP will consult with and obtain the approval of Dundee Securities Ltd. and Canaccord Genuity Corp. (as co-lead underwriters), acting reasonably, regarding the application of such proceeds to the purchase of any property which replaces the Bear Creek Property.

The Managing GP will be responsible for the supervision of the investment of any unallocated working capital raised from this Offering. Until future acquisitions are identified, negotiated and completed, any unallocated working capital raised from this Offering will be invested in short-term guaranteed investment certificates or similar type investments. The Managing GP will adhere to the REIT LP's acquisition strategy and financing strategy described in the IPO Prospectus and to the REIT LP's investment guidelines and operating policies contained in the REIT LP Agreement. See "Business and Growth Strategies – Acquisition Strategy", "Business and Growth Strategies – Financing Strategy" and "Investment Guidelines and Operating Policies" in the IPO Prospectus filed on SEDAR at www.sedar.com.

In the view of the Managing GP, there are various other attractive acquisition opportunities in the "Sunbelt" and other regions of the U.S. The Managing GP has targeted the Southwestern and Southeastern portions of the country including states such as Texas, Arizona, Georgia and Nevada for investment in income-producing multi-family real estate properties. These areas have generally experienced strong population growth rates above the national average and declining vacancy rates, trends which are expected to persist. The Managing GP is confident that it will be able to identify, negotiate and complete the purchase of other properties pursuant to the REIT LP's acquisition strategy and financing strategy described herein and the REIT LP's investment guidelines and operating policies contained in the REIT LP Agreement.

Other than as described in this Prospectus, there are no other particular significant events or milestones that must occur for the REIT LP's business objectives to be accomplished. There is no assurance that the acquisition of the Bear Creek Property will be completed.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the REIT LP has agreed to sell and the Underwriters have agreed to purchase on the Closing Date, being on or about October 18, 2012, an aggregate of 4,860,000 Units at a price of $5.15 per Unit, payable against delivery of a certificate or certificates (or the non-certificated equivalent thereof) representing the Units. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets, in certain other circumstances and upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The REIT LP and the Managing GP have agreed to indemnify the Underwriters and their respective directors, officers, shareholders, partners, agents and employees against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

The REIT LP has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the closing of the Offering, to purchase up to 729,000 additional Units, being 15% of the Units sold under the Offering, on the same terms and conditions as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the REIT LP exclusive of other offering expenses will be $28,783,350, $1,583,084, and $27,200,266, respectively. This Prospectus also qualifies the grant of the Over-Allotment Option and the Units issuable upon the exercise of the Over-Allotment Option.

The price of the Units was determined by negotiation between the REIT LP and Dundee Securities Ltd. and Canaccord Genuity Corp. (as co-lead underwriters) on behalf of the Underwriters. The REIT LP has agreed to pay the Underwriters a fee equal to 5.50% of the gross proceeds of this Offering, being an aggregate fee of $1,376,595 (subject to increases in an amount of up to $206,489 in the event that the Over-Allotment Option is exercised in full by the Underwriters).

The TSX-V has conditionally accepted the listing of the Units distributed under this Offering. Listing will be subject to the REIT LP fulfilling all of the listing requirements of the TSX-V.

The REIT LP has agreed not to issue any Units or securities of the REIT LP convertible or exercisable or exchangeable into Units (other than in connection with the exchange, transfers, conversion or exercise rights of existing securities or existing commitments to issue securities) or announce any intention to do so, until 90 days after closing of the Offering without the prior consent of Dundee Securities Ltd. and Canaccord Genuity Corp., such consent not to be unreasonably withheld.

The Underwriters propose to offer the Units initially at the public Offering Price on the cover page of this Prospectus. After the Underwriters have made a reasonable effort to sell all of the Units offered by this Prospectus at the Offering Price specified herein, the offering price may be decreased, and further changed from time to time to an amount not greater than the Offering Price specified herein, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to the REIT LP.

Pursuant to the rules and regulations of certain securities regulators, the Underwriters may not, during the period of distribution under this Prospectus, bid for or purchase Units. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the rules of the TSX-V relating to market stabilization and passive market activities; and (ii) a bid or purchase made for and on behalf of a customer where the bid was not solicited during the period of the distributions, provided that the bid or purchase was not engaged in for the purpose of creating an actual or apparent active trading in, or raising the price of, the Units. In connection with this Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units at a level other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

At the closing of this Offering, the Units will be available for delivery in a book-entry only form through the facilities of CDS. A purchaser of Units (subject to certain exceptions) will receive only a customer confirmation from the registered dealer that is a CDS Participant and from or through which the Units are purchased.

DESCRIPTION OF THE UNITS

General

The following is a summary of the material attributes and characteristics of the Units and the Class B Units. A more detailed summary of the attributes of the Units and the Class B Units can be found in the IPO Prospectus under the heading "The Securities Offered – The REIT LP".

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 will, upon the closing of the Offering, own 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 this Offering 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 some or 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” in the IPO Prospectus filed on SEDAR at www.sedar.com.

PRIOR SALES

Units

Except as disclosed below, the REIT LP did not issue any other Units during the 12 months preceding the date of this Prospectus:

On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units of the REIT LP and paid cash consideration of $5.00 per Class B Unit, for aggregate proceeds to the REIT LP of $1,000,000. Under the terms of the REIT LP Agreement, the Class B Unitholders as a class are entitled to convert some or all of their Class B Units into Units. See “Description of Units – Class B Units”.

On July 10, 2012, the REIT LP completed its initial public offering of 10,000,000 Units at a price of $5.00 per Unit for total gross proceeds of $50,000,000.

On July 18, 2012, the REIT LP issued 1,500,000 Units at a price of $5.00 per Unit for total proceeds of $7,500,000 pursuant to the exercise in full of the over-allotment option granted to a syndicate of agents in connection with the REIT LP’s initial public offering.

Equity Compensation Plans

From the date of formation to the date of this Prospectus, the REIT LP did not issue any restricted units under the restricted unit plan of the REIT LP or any options to purchase Units under the equity option plan of the REIT LP.

Trading Price and Volume

The Units, which were listed for trading on the TSX-V on July 9, 2012 under the symbol “RUF.U”, commenced trading on July 10, 2012. The table below sets out the high and low closing trading prices and volumes for the Units for the periods indicated:

2012	High	Low	Volume
July 10 - 31	5.34	4.94	726,248
August	5.50	5.18	341,279
September	5.43	5.18	356,355
October 1 - 11	5.24	5.10	276,507

Source: TMX Group website.

The closing price of the Units on the TSX-V on October 11, 2012 was $5.10.

DISTRIBUTION POLICY

General

The following is a summary of the distribution policy of the REIT LP as contained in the REIT LP Agreement. 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 intends to pay stable and growing monthly cash distributions to Unitholders. The REIT LP currently makes a cash distribution to Unitholders of $0.03 per Unit per month ($0.36 per Unit on an annual basis). Monthly Distributions will be paid on the Distribution Date to Unitholders of record on the last Business Day of the relevant month. All distributions will consist of U.S. source income and/or return of capital and will be paid in U.S. dollars.

The amount of cash available for distribution will be equal to the monthly cash receipts of the REIT LP less reserves and any other amounts that the Governing GP reasonably considers are required for expenses and other obligations of the REIT LP. All distributions will be made to the holders of the Units and the Class B Units in accordance with the Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As further detailed in the REIT LP Agreement, until a Determination Event occurs, distributions from the REIT LP will be made 95% to the Units and 5% to the Class B Units.

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 it is 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.

Distribution Reinvestment and Unit Purchase Plans

The Governing GP may, subject to receipt of all regulatory approvals, in its sole discretion, establish one or more distribution reinvestment plans or Unit purchase plans or Unit option plans at any time.

PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

In the view of KPMG LLP ("KPMG"), tax advisor to the REIT LP, and Miller Thomson LLP ("Miller Thomson"), counsel to the Agents, the following is a summary, as of the date hereof, of the principal Canadian federal Income Tax Considerations generally applicable under the Tax Act to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada for the purposes of the Tax Act, deals at arm's length and is not affiliated with the REIT LP and holds the Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided such Units are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Unitholder (i) that is a "financial institution" as defined in the Tax Act, (ii) that is a ''specified financial institution'' as defined in the Tax Act, (iii) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act (iv) an interest in which would be a ''tax shelter investment'' as defined in the Tax Act, (v) that has, directly or indirectly, a ''significant interest'' as defined in subsection 34.2(1) of the Tax Act in the REIT LP, (vi) to whom any affiliate of the REIT LP is a ''foreign affiliate'' for purposes of the Tax Act, or (vii) who borrows money to acquire the Units. Any such Unitholders should consult their own tax advisors with respect to an investment in Units.

This summary assumes that: (i) the REIT LP is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act, (ii) Units that represent more than 50% of the fair market value of all interests in the REIT LP are held by Unitholders that are not "financial institutions" as defined in the Tax Act, and (iii) no interest in any Unitholder is a ''tax shelter investment'' as defined in the Tax Act. However, no assurances can be given in this regard.

This summary describes certain principal Canadian federal income tax considerations based on the application of specific provisions of the Tax Act to the transactions described in the Prospectus, and does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule in subsection 245(2) of the Tax Act to any particular transaction or series of transactions. This summary is based on the facts set out in this Prospectus and in a certificate provided to KPMG and Miller Thomson by the REIT LP, US REIT and Sunstone MultiFamily Investments Inc. This summary is also based upon the provisions of the Tax Act and the regulations (the "Regulations") thereunder in force as of the date hereof and on KPMG's and Miller Thomson's understanding of the publicly available administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") published prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations thereunder which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Proposed Amendments"). There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative policies and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. There can be no assurances that such changes, if made, might not be retroactive. **This summary also does not take into account provincial, territorial, U.S., State, or other foreign tax legislation or considerations, which may differ significantly from those discussed in this summary.**

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the particular circumstances applicable to each Unitholder. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. The REIT LP has not obtained, nor sought, an advance tax ruling from the CRA in respect of this Offering. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

The SIFT Measures

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The "taxable non-portfolio earnings" less SIFT tax payable of a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership. The REIT LP has represented in the Certificate that it does not expect to hold any "non-portfolio property". Consequently the REIT LP expects, and this summary assumes, that the REIT LP would not be liable to SIFT tax under the SIFT Measures.

There can be no assurances that the treatment of SIFTs under the Tax Act will not be changed, or that administrative policies or assessing practices of the CRA will not develop, in a manner which adversely affects the REIT LP or its Unitholders.

Taxation of the REIT LP

Computation of Income or Loss

The REIT LP is not subject to tax under the Tax Act. Each Unitholder of the REIT LP is required to include in computing its income for a particular taxation year its share of the income or loss of the REIT LP for the REIT LP's fiscal years ending in or on the Unitholder's taxation year-end, whether or not distributed to the Unitholder in the taxation year, subject to certain loss limitation rules (see "Reasonable Expectation of Cumulative Profit" and "Limitation on Deductibility of Losses" below). For this purpose, the income or loss of the REIT LP must be computed for each fiscal year as if the REIT LP was a separate person resident in Canada, and allocated to the Unitholders on the basis of their respective shares of that income or loss as provided for in the REIT LP Agreement, subject to certain provisions of the Tax Act in that regard.

The income of the REIT LP for purposes of the Tax Act will include dividends, if any, received at any time in the fiscal year on Common Shares and the ROC Share of the US REIT as well as taxable capital gains, if any, realized by the REIT LP during the fiscal year on disposition of such shares. Where capital losses are realized by the REIT LP on a disposition of such shares, such losses may, under certain circumstances, be denied and be added to the adjusted cost base to the REIT LP of the remaining Common Shares and the ROC Share of the US REIT based on the relative fair market value of such shares. The income of the REIT LP should be considered as income from a source in the U.S. (see "Foreign Tax Credits and Deductions" below). For purposes of the Tax Act, all income (or losses) of the REIT LP must be calculated in Canadian currency. Where the REIT LP holds investments denominated in U.S. dollars or other foreign currencies, gains and losses may be realized by the REIT LP as a consequence of fluctuations in the relative values of the Canadian and foreign currencies.

In computing its income or loss, the REIT LP may generally deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to applicable provisions of the Tax Act. The REIT LP may also deduct any expenses incurred by it in the course of the issuance of Units on a five-year straight line basis (subject to pro-ration for short taxation years).

Dividends paid to the REIT LP by a "controlled foreign affiliate" of the REIT LP, as that term is defined in the Tax Act ("CFA"), including the US REIT and Pure Apartments TRS Inc., will be included in computing the income of the REIT LP. To the extent that any CFA of the REIT LP or any direct or indirect subsidiary thereof earns income that is characterized as ''foreign accrual property income'' as defined in the Tax Act ("FAPI") in a particular taxation year of the CFA, the FAPI allocable to the REIT LP must be included in computing the income of the REIT LP for Canadian federal income tax purposes for the fiscal period of the REIT LP in which the taxation year of the CFA ends, whether or not the REIT LP actually receives a distribution of that FAPI. FAPI does not include income from a business carried on by a CFA where, generally, throughout the period in the taxation year during which the business was carried on the business is the leasing of property and the CFA employs more than five employees full time in the active conduct of the business (the “Employee Exception”). The REIT LP has represented in the Certificate that it intends that any CFA held by the REIT LP will meet the Employee Exception at all relevant times, in which case the REIT LP should not be required to include any amount of FAPI in computing its income for Canadian federal tax purposes. If, notwithstanding such representation, any CFA of the REIT LP fails to meet the Employee Exception throughout a particular taxation year, an amount of FAPI may be required to be included in computing the income of the REIT LP for Canadian federal income tax purposes, and an amount may be deductible in respect of the ‘‘foreign accrual tax’’ as defined in the Tax Act (“FAT”) applicable to the FAPI.

As the US REIT intends to qualify as a real estate investment trust for US federal income tax purposes, the amount of U.S. federal income tax payable by the US REIT may limit the amount of FAT that may be available to apply against any FAPI in respect of the US REIT if the US REIT fails to meet the Employee Exception in a particular year. Any amount of FAPI included in income (net of the amount of any FAT deduction) will increase the adjusted cost base to the REIT LP of its shares of the CFA in respect of which the FAPI was included. At such time as the REIT LP receives a dividend of this type of income that was previously treated as FAPI, that dividend will effectively not be included in computing the income of the REIT LP and there will be a corresponding reduction in the adjusted cost base to the REIT LP of the CFA shares.

Reasonable Expectation of Cumulative Profit

On October 31, 2003, the Department of Finance released for public comment Proposed Amendments under which a taxpayer would be considered to have a loss from a source that is a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit (excluding capital gains or losses) from the business or property during the period that the business is carried on or that the property is held (the “REOP Proposals”). Profit under the REOP Proposals is determined without reference to capital gains or losses. In general, these proposals may deny the realization of losses by a Unitholder from its investment in the REIT LP 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 Unitholder has held and can reasonably be expected to hold the investment. A Unitholder may incur expenses in connection with an acquisition of the Units that could result in a loss that could be affected by the REOP Proposals. As part of the 2005 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 may not differ significantly from the REOP Proposals described herein.

Taxation of the Unitholders

Allocation of Income or Loss

Subject to the restrictions described above under “Reasonable Expectation of Cumulative Profit” and below under “Limitation on Deductibility of Losses”, each Unitholder will be required to include (or be entitled to deduct) in computing the Unitholder’s income, the Unitholder’s proportionate share of the income (or loss) of the REIT LP allocated to the Unitholder pursuant to the REIT LP Agreement for the fiscal period of the REIT LP ending in the Unitholder’s taxation year. A Unitholder’s share of the REIT LP’s income must (or loss may) be included in determining the Unitholder’s income (or loss) for the year, whether or not any distribution of income has been made by the REIT LP. See “The Securities Offered - Allocation of Income and Losses” in the IPO Prospectus available on SEDAR at www.sedar.com.

In general, a Unitholder’s share of any income (or loss) of the REIT LP from a particular source or from sources in a particular place will be treated as if it were income (or loss) of the Unitholder from that source or from sources in that particular place, and any provisions of the Tax Act applicable to that type of income (or loss) or income (or loss) from that place will apply to the Unitholder. A Unitholder which is a “Canadian-controlled private corporation” (as defined in the Tax Act) may also be liable to pay an additional refundable tax of 6 2/3% on the Unitholder’s share of certain investment income, including taxable capital gains and dividends on Common Shares and the ROC Share of the US REIT.

Limitation on Deductibility of Losses

If the REIT LP incurs losses for tax purposes, each Unitholder will, subject to the REOP Proposals (defined above), be entitled to deduct in the computation of income for tax purposes the Unitholder's pro rata share of any net losses for tax purposes of the REIT LP for its fiscal year to the extent of the Unitholder's ‘‘at-risk amount’’ within the meaning of the Tax Act. In general, the "at-risk amount" of a Unitholder in respect of the REIT LP for any taxation year will generally be the adjusted cost base of the Unitholder's Units at the end of the year (subject to certain provisions of the Tax Act), plus any undistributed income allocated to the Unitholder for the year, less any amount owing by the Unitholder (or a person with whom the Unitholder does not deal at arm's length) to the REIT LP (or a person with whom the REIT LP does not deal at arm's length), and less the amount of any benefit that the Unitholder (or a person with whom the Unitholder does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the Unitholder from the investment. A Unitholder's loss that is limited by the at-risk rules under the Tax Act becomes a "limited partnership loss", which is available for indefinite carry-forward to be claimed against limited partnership income from the REIT LP.

Adjusted Cost Base of Units

In general, the adjusted cost base of a Unitholder's Units will be equal to: (i) the actual cost of the Units (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the pro rata share of the income of the REIT LP allocated to the Unitholder for fiscal years of the REIT LP ending before the relevant time; less (iii) the aggregate of the pro rata share of losses of the REIT LP allocated to the Unitholder (other than limited partnership losses) for the fiscal years of the REIT LP ending before the relevant time; and less (iv) the Unitholder's distributions from the REIT LP made before the relevant time, including returns of capital. The adjusted cost base of each of the Units will be subject to the averaging provisions contained in the Tax Act.

The REIT LP intends to distribute cash to the Unitholders in an amount equal to the Target Distribution during the Initial Period. Such amount may be comprised in whole or in part of a return of capital on which no tax is payable by the Unitholders. As noted above, the return of capital amount will reduce a Unitholder's adjusted cost base of the Units. It will also reduce the Unitholder's at-risk amount and could result in a negative adjusted cost base to the Unitholder in respect of the Units. (See "Securities Offered – The REIT LP – Distributions of Distributable Cash" in the IPO Prospectus available on SEDAR at www.sedar.com.)

A Unitholder will realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Unitholder's Units is negative at the end of any fiscal year of the REIT LP. In such a case, the adjusted cost base of the Unitholder's Units will be adjusted to nil at the beginning of the next fiscal year of the REIT LP.

Disposition of Units

The disposition by a Unitholder of a Unit will result in the realization of a capital gain (or capital loss) by such Unitholder in the amount, if any, by which the proceeds of disposition of the Unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such Unit.

Where a Unitholder disposes of all of its Units, it will no longer be a partner of the REIT LP. If, however, a Unitholder is entitled to receive a distribution from the REIT LP after the disposition of all such Units, then the Unitholder will be deemed to dispose of the Units at the later of: (i) the end of the fiscal year of the REIT LP during which the disposition occurred; and (ii) the date of the last distribution made by the REIT LP to which the Unitholder was entitled. Pursuant to the Proposed Amendments, the pro rata share of income (or loss) of the REIT LP for tax purposes for a particular fiscal year which is allocated to a Unitholder who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Unitholder's Units immediately prior to the time of the disposition. These rules are complex and Unitholders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Units.

In general, one-half of a capital gain realized by a Unitholder must be included in computing such Unitholder's income as a taxable capital gain. One-half of a capital loss is deducted as an allowable capital loss against taxable capital gains realized in the year and any remainder may be deducted against taxable capital gains in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

Alternative Minimum Tax

The Tax Act provides for a special "alternative minimum tax" ("AMT") applicable to individuals (including most trusts), depending on the amount of their "adjusted taxable income". In calculating taxable income for the purpose of computing the AMT, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included, such as 80% of net capital gains, are included. In computing adjusted taxable income for AMT purposes, an exemption of $40,000 is allowed to a taxpayer who is an individual, other than most inter vivos trusts. The current federal rate of minimum tax is 15%. Whether and to what extent the tax liability of a particular Unitholder will be increased as a result of the application of the AMT rules will depend on the amount of the Unitholder's income, the sources from which it is derived, and the nature and amounts of any deductions the Unitholder claims.

Any additional tax payable by a Unitholder for the year resulting from the application of the AMT will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the AMT, be the Unitholder's tax otherwise payable for any such year. Prospective purchasers who are individuals (including trusts) should consult their tax advisors as to the potential application of the AMT.

Foreign Tax Credits and Deductions

Foreign taxes paid by the REIT LP and taxes withheld at source (other than for the account of a particular Unitholder) will be allocated pursuant to the governing partnership agreement. As set out below under the heading "Principal United States Income Tax Considerations", the REIT LP intends to be treated as a partnership for U.S. federal income tax purposes and for such purposes, a Unitholder should be considered the relevant taxpayer with respect to U.S. tax withheld on distributions in respect of Common Shares and the ROC Share of the US REIT. To the extent the US REIT withholds U.S. tax on distributions to the REIT LP, the amount of U.S. tax attributable to a particular Unitholder may be deductible from such Unitholder's Canadian federal income tax otherwise payable for that year (a "foreign tax credit"), or may be deductible in computing the Unitholder's income for Canadian tax purposes for that year (a "foreign tax deduction"), as described in the ensuing paragraphs. Provided however that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Unitholder also files a U.S. federal income tax return to establish the Unitholder's final U.S. income tax liability for the year.

The U.S. tax paid for a taxation year that is attributable to a particular Unitholder will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Unitholder's Canadian federal income tax otherwise payable for that year as relates to the Unitholder's share of the non-business income from U.S. sources to the extent that non-business income tax paid does not exceed 15% of such share of non-business income and has not been deducted in computing the Unitholder's income. To the extent that such non-business income tax paid by the Unitholder exceeds 15% of the Unitholder's share of non-business income from U.S. sources, such excess may generally be deducted by the Unitholder in computing the Unitholder's net income for the purposes of the Tax Act.

A Unitholder's ability to apply U.S. taxes in the foregoing manner 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 where required for the relevant taxation year. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Prospective purchasers should consult their own tax advisors regarding their ability to claim foreign tax credits or foreign tax deductions.

The foregoing mechanism for recognition of U.S. taxes for purposes of the Tax Act through foreign tax credits or foreign tax deductions does not apply to Unitholders that are Plans. In reference to the matters set out under the heading "Principal United States Income Tax Considerations", to the extent that an annuitant, a beneficiary or a holder of a Plan that is a Unitholder files a U.S. federal income tax return and receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the US REIT, the annuitant, the beneficiary or the holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries or holders of Unitholders that are Plans should consult their own tax advisors in this regard.

Reference should be made below to "Taxation of the REIT LP and of the REIT LP Unitholders" under "Principal United States Income Tax Considerations" for further information on the taxation of the REIT LP and the Unitholders for U.S. federal income tax purposes, as such taxation directly affects the Unitholder's entitlement to the foreign tax credits and deductions outlined above.

Eligibility for Investment

In the view of KPMG and Miller Thomson, provided that the Units are listed on a ''designated stock exchange'' as defined in the Tax Act (which includes the TSX-V (Tiers 1 and 2)), the Units, if issued on the date hereof, would be qualified investments under the Tax Act and the Regulations for trusts governed by Plans.

Notwithstanding the foregoing, 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 a ''prohibited investment'' as defined in the Tax Act for the TFSA, RRSP or RRIF. The Units will generally not be a ''prohibited investment'' for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the REIT LP for the purposes of the Tax Act or has a ''significant interest'' as defined in the Tax Act in the REIT LP or in a corporation, partnership or trust with which the REIT LP does not deal at arm's length for the purposes of the Tax Act. Prospective purchasers should consult their own tax advisors to ensure that the Units would not be a ''prohibited investment'' for a trust governed by a TFSA, RRSP, or RRIF in their particular circumstances.

PRINCIPAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Introduction

In this summary, references to "REIT" are general references to entities that are treated as real estate investment trusts under the Internal Revenue Code of 1986, as amended (the "Code").

In the view of KPMG LLP, in its capacity as tax advisor to the REIT LP, the following is a general summary of the principal U.S. federal income tax considerations applicable to Unitholders (defined below) of the purchase, ownership and disposition of the Units offered by the Prospectus.

Assumptions

This summary assumes that the REIT LP is treated as a partnership for U.S. federal income tax purposes and that Units in the REIT LP are "regularly traded" on an "established securities market" at all relevant times for U.S. federal income tax purposes.

The U.S. federal income tax consequences of an investment in Units may be materially adversely affected relative to the description in this summary if the REIT LP is not treated as a partnership or if its Units are not considered to be regularly traded on an established securities market for U.S. federal income tax purposes. If Units in the REIT LP are regularly traded on an established securities market, whether the REIT LP is treated as a partnership in a particular year for U.S. federal income tax purposes depends on the composition of the REIT LP's gross income for that year. Whether Units in the REIT LP are regularly traded on an established securities market for U.S. federal income tax purposes depends, in part, on the extent to which Units actually trade in a particular quarter.

Management has represented to KPMG that it expects that although the Units in the REIT LP will be regularly traded on an established securities market, the type and amount of the REIT LP's gross income will allow the REIT LP to be treated as a partnership for each year for U.S. federal income tax purposes. However, no assurances can be given that the REIT LP will be treated as a partnership for U.S. federal income tax purposes, whether in its first or in any subsequent year.

Management has also represented to KPMG that it anticipates the volume of trading in the Units and the number and the distribution of Unitholders will exceed the “regularly traded” standards (discussed generally later) set out by the U.S. Internal Revenue Service (the “IRS”) for each calendar quarter commencing with the first closing of this Offering. Additionally, management has represented to KPMG that REIT LP intends to comply with the annual filings and disclosures that are pre-requisites for units that are traded on an established securities market situated outside the United States to be considered to be “regularly traded” for U.S. federal income tax purposes. However, given the possibility that actual circumstances may be materially different than those expected at the outset, no assurances can be given that Units in the REIT LP will be treated as regularly traded in any particular calendar quarter.

This commentary also summarizes, in a general way, the principal U.S. federal income tax considerations to the US REIT regarding its qualification and taxation as a REIT for U.S. federal income tax purposes.

Whether the US REIT qualifies as a REIT for U.S. federal income tax purposes is dependent on whether it satisfies the various REIT requirements for each taxable year, including, but not limited to, certain organizational, operational, gross income, asset and distribution requirements (see below “Requirements for REIT Qualification”).

Management has represented to KPMG that it intends for the US REIT to qualify as a REIT for each relevant taxable year and that it will establish procedures to regularly monitor REIT classification and compliance. However, given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that the 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. The failure of the US REIT to qualify as a REIT, in its first or in any subsequent taxable year, may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

Limitations

This summary is directed only to prospective purchasers who purchase the Units offered by this Prospectus, who are not United States persons under the Code and who do not own (and who are not considered to own) for U.S. federal income tax purposes more than 5 percent of the Units in the REIT LP that are listed for trading on an established securities market at any time.

This summary also assumes that there are no sales of real estate within one year of the respective property acquisitions by the US REIT.

The summary does not deal with all aspects of U.S. federal income taxation that may be relevant to the specific circumstances of a particular Unitholder. For example, this summary does not cover all aspects of U.S. estate and gift taxation that may be relevant to the specific circumstances of a particular Unitholder. Likewise, except to the extent specifically provided, the summary does not address the U.S. federal income tax consequences to Unitholders that are subject to special treatment, including but not limited to, financial institutions, broker-dealers, mutual funds, insurance companies, tax-exempt organizations and trusts.

Finally, this summary does not address state or local income tax or state or local tax filing matters.

“Unitholder” Defined

For purposes of this summary, a “Unitholder” means any REIT LP Unitholder that is not: (i) a U.S. citizen, U.S. permanent resident (green card holder) or individual resident in the United States; (ii) a corporation or other entity taxable as a corporation that is either created or organized under the laws of the United States or a political subdivision thereof or that is for other reasons treated as if were taxable as a corporation created or organized under the laws of the United States; (iii) an estate, the income of which is subject to United States federal income tax regardless of the source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all of its substantial decisions.

All Unitholders are assumed to be residents of Canada entitled to all relevant benefits of the 1980 U.S.-Canada Income Tax Convention, as amended ("the Treaty").

Special Considerations Applicable to RRSPs and to TFSAs

For purposes of this summary, except as otherwise specifically noted, references to "nonresident alien individuals" include certain registered retirement savings plans ("RRSPs"), specifically those with Canadian resident annuitants which are organized as contractual arrangements or as trusts and which are neither exempt from seizure by creditors of the annuitant nor spousal RRSPs. In addition, references to "nonresident alien individuals" also include tax-free savings accounts ("TFSAs") that are held by Canadian individuals and which are organized as contractual arrangements or trusts which are not exempt from seizure by creditors of the holder.

The U.S. federal income tax treatment and classification of RRSPs and TFSAs is complex, is not free from doubt and is dependent upon the terms of the specific RRSP or TFSA. This summary assumes RRSPs and TFSAs are treated as either grantor trusts, or as investments of the individual annuitants which are not separate entities from the individuals for U.S. federal income tax purposes. As such, this summary assumes the individual annuitants or holders are treated as the owners of the RRSPs or the TFSAs assets for U.S. federal income tax purposes. There is, however, a risk that the U.S. tax authorities might take a different position from that taken in the summary. In such event, the U.S. federal income tax consequences with respect to such RRSPs and TFSAs may be different from those described below.

Investors that are RRSPs or TFSAs should consult their own tax advisors as to the U.S. federal, state, and local income and non-U.S. tax consequences to them as a result of their status either as an RRSP or as a TFSA.

This summary is of a general nature only and does not consider all possible United States federal income tax considerations of an investment in Units. This summary also does not consider state, local or non-U.S. tax consequences. This summary does not constitute an opinion to prospective Unitholders and is not intended to be legal or tax advice to prospective purchasers of Units.

No ruling has been sought from the IRS on any aspect of this Offering.

This summary is based on the facts set out in this Prospectus and the facts, assumptions and representations set out in a representation letter provided to KPMG by the REIT LP. This summary is also based upon the relevant provisions of the Code, the regulations under the Code (the "Regulations"), the Treaty, as amended and the judicial and administrative interpretations and pronouncements thereof as currently in effect. These authorities are subject to change retroactively and/or prospectively and any such changes could affect the U.S. tax consequences described in the summary below.

Each investor should consult his, her or its own tax advisor as to the U.S. federal, state, and local income and other tax consequences to it of the purchase, ownership and disposition of the Units taking into consideration his, her or its own particular circumstances.

ANY TAX ADVICE IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED AND IT CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER. THE PROSPECTUS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTION(S) OR MATTER(S) ADDRESSED IN THIS PROSPECTUS. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR INDEPENDENT TAX ADVISOR(S).

Summary

The discussion which follows is a general overview of the principal U.S. federal income tax consequences of dispositions by Unitholders of interests in the REIT LP, of REIT LP distributions received by Unitholders and of dispositions by the REIT LP of interests in the US REIT. The discussion assumes that the REIT LP is treated as a partnership and the US REIT qualifies as a REIT for U.S. federal income tax purposes for each year.

Taxation of the REIT LP and of Unitholders

Taxation of the REIT LP

Entity Classification Rules

The Code prescribes the classification of various organizations for U.S. federal income tax purposes. A business entity that is not automatically classified as a corporation and that has at least two members may generally elect to be treated as either a partnership or as a corporation for U.S. federal income tax purposes. In general, a business entity such as the REIT LP that is organized in Canada is automatically classified as a corporation only if it is a corporation as a matter of corporate law, or if all of its members have limited liability with respect to the entity's debts. In the case of a business entity that is a partnership, such partnership is automatically classified as a corporation only if its units are publicly traded and certain exemptions are not met.

A business entity is an organization that is formed to carry on business, to divide its profits amongst its participants and which engages in activities beyond the mere co-ownership of investment property.

An organization that merely protects and conserves properties for the benefit of its unitholders is generally classified as a trust rather than as a business entity for U.S. federal income tax purposes.

Certain Publicly Traded Partnerships Treated as Corporations

A business entity that is otherwise classified as a partnership for U.S. federal income tax purposes may be treated as a corporation if interests in the entity are traded on an established securities market. However, partnership classification is retained for publicly traded partnerships if 90 percent or more of the partnership's income is "qualifying income" for each year. Qualifying income includes interest, dividends and gain from the disposition of shares of corporations that are treated as REITs for U.S. federal income tax purposes. A partnership is deemed to meet the qualifying income test if it inadvertently fails to meet the test, takes steps to meet the test no later than a reasonable time after the discovery of the failure, and the partnership agrees to certain terms and conditions that may be imposed on it by the Internal Revenue Service.

A business entity that is classified as a partnership may elect to be treated as a corporation for U.S. federal income tax purposes.

Management has represented to KPMG that it expects that 90 percent or more of the REIT LP's gross income will consist of qualifying income each year and that the REIT LP will not elect to be treated as a corporation for U.S. federal income tax purposes. Therefore, the REIT LP should be treated as a partnership for U.S. federal income tax purposes. If this is not the case, the U.S. federal income tax consequences will differ significantly from those described below 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.

The REIT LP is Expected to be a Flow-Through Entity

A business entity that is treated as a partnership for U.S. federal income tax purposes is not subject to U.S. federal income tax. Rather, the distributive share of the partnership's income, gains, losses, deductions and credits is generally taken into account separately by each interest holder in the partnership. In that regard, the character of distributions received by the REIT LP from the US REIT and gains recognized by the REIT LP on the sale or exchange (or on the deemed sale or exchange) of its US REIT shares is generally determined as if such distributions and gains were recognized directly by the Unitholders.

Taxation of Unitholders as Partners

The following describes, in general terms, the U.S. federal income taxation to Unitholders of gains and losses from the disposition of Units, of income and gains derived by the REIT LP from the US REIT and from dispositions by the REIT LP of interests in the US REIT. This description assumes the REIT LP is classified as a partnership and the US REIT qualifies as a REIT for U.S. federal income tax purposes.

Disposition of Units

<u>In General</u>

A non-U.S. person's gain from the disposition of a United States Real Property Interest ("USRPI") is generally subject to U.S. tax, withholding and filing requirements and is not exempt under the Treaty. A USRPI generally includes shares in corporations organized in the United States, such as the US REIT, the fair market value of whose interests in real property located in the United States, at any time in a five year testing period, equals or exceeds 50 percent of the fair market value of the sum of its interests in real property located in the United States, its interests in real property located outside the United States and its other assets used or held for use in a trade or business.

Under a "look-through" rule, a non-U.S. person's gain from disposition of an interest in an entity treated as a partnership for U.S. federal income tax purposes, wherever organized, is treated as gain from disposition of an interest in a USRPI to the extent gain on the disposition of the partnership interest is attributable to USRPIs owned by the partnership.

<u>Exception from USRPI Classification – 5 Percent Shareholders</u>

The Code exempts from the general USRPI rule shares of a U.S. corporation that are regularly traded on an established securities market for a non-U.S. person who owns 5 percent or less of such class at the time of disposition and who also owned 5 percent or less of such class at all times in the immediately preceding five year period. An established securities market includes national securities exchanges outside the United States that are officially recognized, sanctioned or supervised by governmental authority and should include the TSX Venture Exchange. Constructive ownership and attribution rules apply for purposes of determining whether a person qualifies for the 5 percent exception.

Regulations extend the exemption from USRPI classification, above, for certain shares of a corporation that are regularly traded on an established securities market, to partnership units that are regularly traded on an established securities market. As in the case of the exception applicable to shares of a U.S. corporation, the USRPI exception for partnership units applies only to non-U.S. persons who own 5 percent or less of the class of regularly traded partnership units at the time of disposition and who also owned 5 percent or less of such class at all times in the immediately preceding five year period. As for shares in a corporation, complex constructive ownership and attribution rules apply for purposes of determining whether a person qualifies for the 5 percent exception.

The U.S. withholding, reporting and filings that would otherwise apply to a non-U.S. person's disposition of a USRPI (discussed generally below under the heading "FIRPTA Tax, Withholding and Filing Requirements on Sale of Units if Units Are Not Regularly Traded") do not apply to dispositions of a class of publicly traded partnership interests by non-U.S. persons who satisfy the 5 percent or lower ownership requirement. As such, Unitholders who do not otherwise have a U.S. tax reporting or filing requirement would not have one as a result of a sale or other disposition of their Units in the REIT LP provided they owned (and were considered to own) 5 percent or less of the Units that were listed for trading at the time of disposition and at all times in the immediately preceding five year period and the REIT LP met the regularly traded requirements for the quarter in which the disposition is made. Likewise, the transferee would not be required to withhold and remit 10 percent of the sales proceeds (including any consideration such as assumption of debt) to the Internal Revenue Service.

In general terms, the Regulations consider units in a partnership to be regularly traded in a particular quarter if each of four tests is met.

First, trades are effected, other than in de minimis quantities, on at least 15 days during the calendar quarter.

Second, the aggregate number of units traded in the calendar quarter as a percentage of the average number of units in such class outstanding during the calendar quarter equals or exceeds a minimum threshold. The minimum quarterly threshold is 2.5 percent if the average number of partners of record is 2,500 or more and 7.5 percent otherwise. Although not entirely free from doubt, a partner of record for this purpose is likely to include the beneficial Unitholder rather than a nominee or custodian.

Third, 100 or fewer persons do not own or constructively own 50 percent or more of the outstanding class of partnership units at any time in the calendar quarter.

Fourth, the partnership units are traded in registered form and the partnership maintains records of the beneficial owner of the units at all times and also meets certain reporting requirements, which include identifying each person who, at any time in the year, was the beneficial owner of more than 5 percent of any class of units in the partnership that are traded.

Management has represented to KPMG that it expects Units in the REIT LP to satisfy the regularly traded standards of the Regulations in each quarter commencing with the first closing of this Offering. Management has also represented to KPMG that it has procedures in place to limit the likelihood that the standards of the Regulations will not be met. However, since certain of the requirements are based on factual matters and future events that are beyond Management's control, Management cannot provide assurances that each of the requirements in the Regulations will be met for each quarter in a particular Unitholder's holding period. Accordingly, the comments which follow summarize, in a general way, the taxation, withholding and reporting requirements applicable to the disposition of Units in the event Units in the REIT LP are not considered to be regularly traded on an established securities market in the quarter in which the disposition occurs and are, therefore, treated as gains from the sale or exchange of a USRPI, in whole or in part. These same taxation, withholding and reporting requirements would generally also apply to the disposition of Units by a Unitholder who owns (or is considered to own) more than 5 percent of the listed class of Units at the time of disposition or at any time in the immediately preceding five year period.

FIRPTA Tax, Withholding and Filing Requirements on Sale of Units if Units Are Not Regularly Traded

Gain on the disposition of a USRPI recognized by a nonresident alien or foreign corporation is treated as "effectively connected with the conduct of a trade or business within the United States" ("ECI") and the taxable amount (gain reduced in most cases by allocable deductions) is subject to U.S. federal income tax at graduated rates ("FIRPTA Tax"). All or a portion of the gain recognized by a Unitholder from the sale of Units in the REIT LP is expected to be treated as gain from the disposition of a USRPI if the Units are not considered to be regularly traded on an established securities market in the calendar quarter in which the disposition occurs. The maximum applicable FIRPTA Tax for long-term capital gains recognized by nonresident individual Unitholders (including RRSPs and TFSAs) is generally 15 percent for gains recognized in 2012 and either 18 or 20 percent, depending on the circumstances, for gains recognized after 2012, generally with no reductions of rates under the Treaty. The gain on disposition of Units in the REIT LP will be treated as long-term capital gains if the sold Units had been held by the Unitholder for more than one year. The corresponding rate for foreign corporate Unitholders (or for business entities that are treated as foreign corporations for U.S. federal income tax purposes) is 35 percent and is also not generally eligible for a reduced rate under the Treaty.

A transferee is generally required to deduct, withhold and remit to the IRS a tax equal to 10 percent of the purchase price of a USRPI ("Section 1445 Withholding"). This withholding may be reduced or eliminated with the appropriate facts if an application for a withholding certificate is timely filed with the IRS requesting a reduction in withholdings and a withholding certificate is received from the IRS. A withholding certificate might be issued by the IRS if a Unitholder establishes that the actual tax on the sale is expected to be less than 10 percent of the sales price because, for example, the Unitholder suffers a loss on the sale. However, no assurance can be given that the IRS will approve a withholding certificate application.

A Unitholder that sells or otherwise disposes of Units in the REIT LP to which the FIRPTA Tax applies is required to file a U.S. federal income tax return for the year of disposition (Form 1040-NR for nonresident alien individuals and Form 1120-F for foreign corporations) and may claim the Section 1445 Withholding tax withheld by the transferee as a credit against the Unitholder's final U.S. federal income tax liability for the year by showing proof of withholding (Form 8288-A). However, the U.S. federal income tax return must generally be filed no later than two years after the tax is withheld for excess withholdings to be recovered. A Unitholder that sells or otherwise disposes of Units in the REIT LP to which the FIRPTA Tax applies is required to file a U.S. federal income tax return without regard to the amount of tax withheld. A U.S. taxpayer identification number is required to file a U.S. federal income tax return.

The U.S. tax consequences described above would also generally apply to the disposition of Units by a Unitholder who owns (or who is considered to own) more than 5 percent of the listed class of Units at the time of disposition or at any time in the immediately preceding five year period.

<u>FIRPTA Tax, Withholding and Filing Requirements on a Unitholder's Distributive Share of REIT LP's USRPI Gains</u>

The exception from USRPI treatment for 5 percent or less ownership interests in a class of partnership units that are considered to be regularly traded on an established securities market only applies to gain from the disposition by the non-U.S. person of such partnership interests. It does not extend to other gains recognized (or considered to be recognized) by a Unitholder attributable to the actual or deemed disposition of USRPIs that may result from an investment in the REIT LP ("Non-Exempt Gains") unless the gain is attributable to shares of the US REIT that are themselves regularly traded on an established securities market.

A Unitholder may recognize Non-Exempt Gains from one of three main sources, even if the REIT LP meets the regularly traded on an established securities market requirements of the Regulations and the Unitholder has owned 5 percent or less of the REIT LP's listed Units throughout a five year holding period. These three main categories of Non-Exempt Gains are: a Unitholder's distributive share of distributions made by the US REIT attributable to the sale or exchange of USRPIs by the US REIT; distributions made by the US REIT in excess of both its earnings and profits and the REIT LP's adjusted basis in the shares of the US REIT; and gain from the sale or exchange by the REIT LP of its shares of the US REIT.

The REIT LP's adjusted basis for purposes of calculating its Non-Exempt Gains is generally calculated with reference to the original cost of its REIT shares, less certain adjustments (mostly notably a reduction for distributions in excess of the REIT's earnings and profits). The adjusted basis of a partnership's assets is not generally adjusted to reflect gains and losses recognized by its partners unless the partnership files a special election ("Section 754 election"). The REIT LP does not expect to file a Section 754 election. Accordingly, the REIT LP does not expect gains and losses recognized by its Unitholders to affect the amount of its Non-Exempt Gains from the disposition (or the deemed disposition) of its US REIT shares.

Generally, the taxable amount (gain reduced by deductions in most cases) of such Non-Exempt Gain is subject to the FIRPTA Tax to the Unitholders at the graduated rates referred to earlier (15 percent currently and either 18 or 20 percent for gains recognized through the REIT LP by nonresident alien individuals after 2012 and 35 percent for gains recognized through the REIT LP by foreign corporations), is not eligible for a reduced rate under the Treaty and is subject to withholding at source, as described generally below.

To the extent the gain is the result of a sale of a USRPI by the US REIT, the gain from such sale attributable to a distribution to the Unitholder who is a nonresident alien individual will be treated as long-term capital gain only if the underlying USRPI was held by the US REIT for more than one year. In addition, even if the USRPI was held by the US REIT for more than one year, the portion of the gain attributable to depreciation previously taken with respect to such USRPI will be taxed at a rate of 25 percent. Gains which are attributable to distributions to a non-resident alien individual of short-term capital gains are taxed at graduated income tax rates up to 35 percent (39.6 percent after 2012).

Additionally, a corporate Unitholder may be subject to U.S. branch profits tax (paid with its U.S. tax return) on its distributive share of distributions made by the US REIT to the REIT LP attributable to the sale or exchange of

USRPIs by the US REIT. U.S. branch profits tax is imposed in addition to regular federal income tax at the rate of 30 percent on a calculated amount, but is reduced to 5 percent of earnings attributable to a permanent establishment in excess of a Cdn$500,000 cumulative exemption amount for certain residents of Canada. A corporate Unitholder would be required to file Form 8833 with its U.S. tax return to disclose its claim of entitlement to the reduced 5 percent rate of U.S. branch profits tax. Corporate Unitholders should consult with their own advisors to determine whether they are potentially liable for U.S. branch profits taxes on their distributive shares of distributions by the US REIT attributable to dispositions by the US REIT of USRPIs.

A publicly traded partnership that has ECI must withhold and remit U.S. withholding tax ("Section 1446 Withholdings") on any distributions made to foreign partners (using procedures generally applicable to U.S. withholding on U.S. source fixed or determinable, annual or periodic income), and must file annually with IRS Form 1042 and a Form 1042-S for each Unitholder. Withholdings must be made at the highest rate of tax, without regard to the preferential rates of tax, including those applicable to an individual's capital gains. The highest rates of tax and the required rates of Section–1446 Withholdings are currently 35 percent (39.6 percent after 2012) for nonresident alien individuals and 35 percent for corporations. The REIT LP will be required to withhold Section 1446 Withholdings at 35 percent currently (and 39.6 percent after 2012) for any Non-Exempt Gains included in the distributive shares of nonresident alien individual Unitholders and 35 percent for any Non-Exempt Gains included in the distributive shares of foreign corporate Unitholders.

Distributions made by the US REIT to the REIT LP that are attributable to the sale or exchange of USRPIs by the US REIT, distributions made by the US REIT in excess of both its earnings and profits and the REIT LP's adjusted basis in the US REIT shares and the sale or exchange by the REIT LP of shares of the US REIT may also be subject to withholding on the part of the US REIT or the purchaser, as the case may be ("Section 1445 Withholdings"). Section 1445 Withholdings are required at a rate of 35 percent of distributions made by the US REIT attributable to the sale or exchange of USRPIs by the US REIT and at a rate of 10 percent of the portion of a distribution in excess of both the US REIT's earnings and profits and the REIT LP's adjusted basis in the US REIT shares. Section 1445 Withholdings are also required at a rate of 10 percent of the amount realized on the sale or exchange by the REIT LP of the shares of the US REIT. Under Regulations, the REIT LP may credit its Section 1446 Withholdings with its Section 1445 Withholdings.

Management has represented to KPMG that it intends to take all reasonable steps necessary to limit the REIT LP from recognizing Non-Exempt Gains that may cause a Unitholder to have ECI and, therefore, a U.S. tax return filing requirement. For example, management has represented to KPMG that any dispositions of properties by the US REIT will, to the extent practicable, be made by way of a non-recognition transaction. Likewise, management has represented to KPMG that the REIT LP has no plans to sell its US REIT shares or to cause it to make distributions in excess of the sum of the US REIT's earnings and profits and the REIT LP's adjusted basis in its shares of the US REIT. However, no assurances can be given that Non-Exempt Gains will not be included in a particular Unitholder's distributive share of REIT LP income in a particular year. As such, no assurances can be given that a Unitholder will not have U.S. tax return filing obligations in one or more years arising as a result of an investment in the REIT LP.

Distributions made by the US REIT to the REIT LP that are in excess of the US REIT's earnings and profits but that are not in excess of the REIT LP's adjusted basis in its US REIT shares are treated as a non-taxable return of capital for U.S. federal income tax purposes. However, such distributions may be subject to Section 1445 Withholdings at a 10 percent rate unless the REIT LP obtains a withholding certificate from the Internal Revenue Service and the withholding certificate waives the Section 1445 Withholdings. The REIT LP has represented to KPMG that it intends to file for a withholding certificate for each US REIT distribution that includes a non-taxable return of capital. However, no assurances can be given that the Internal Revenue Service will approve such a withholding certificate application.

A nonresident alien individual or a foreign corporation that derives ECI (including amounts received as a partner through a partnership) is generally required to make quarterly payments of estimated U.S. tax and is required to file a U.S. federal income tax return. A partner in a partnership may generally take its distributive shares of Section 1446 Withholdings and Section 1445 Withholdings into account in determining whether estimated tax payments are required.

Unitholders may claim Section 1446 Withholdings and Section 1445 Withholdings as credits against their final U.S. federal income tax liabilities. However, claims for refunds of overpayments of such withholdings must generally be made by filing a U.S. federal income tax return (Form 1040-NR for nonresident alien individuals and Form 1120-F for foreign corporations) within two years of the date the tax was paid and by showing proof of withholdings by attaching Form 8805 (Form 1042-S in the case of a publicly traded partnership) for Section 1446 Withholdings and Form 8288-A for Section 1445 Withholdings. Unitholders are required to file a U.S. federal income tax return to report their distributive shares of Non-Exempt Gains without regard to the amount of tax withheld. Unitholders must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return.

Unitholders' Distributive Share of REIT LP's Non-ECI Income

In General

A nonresident alien individual and a foreign corporation are generally subject to U.S. federal income tax on fixed or determinable, annual or periodic income ("FDAP") received from U.S. sources, including U.S. source dividends to the extent not effectively connected with the conduct of a U.S. trade or business. U.S. source FDAP is generally subject to 30 percent U.S. tax applied to the gross amount (with no allowance for deductions) of FDAP ("FDAP Tax") unless a lower rate applies to the gross amount of FDAP under an applicable U.S. treaty. FDAP that is effectively connected with the conduct of a U.S. trade or business is generally subject to the U.S. tax rules and filings requirements applicable to Non-Exempt Gains, discussed earlier.

FDAP Tax is Withheld at Source

The 30 percent tax on the gross amount of U.S. source FDAP payments to a nonresident alien individual or foreign corporation is generally collected through withholdings at source ("Section 1441 FDAP withholding"). Withholding at source is also required when U.S. source FDAP payments are made to a partnership, such as the REIT LP, which is organized outside the United States and which has foreign partners. Withholding is generally required at a 30 percent rate, unless a lower rate applies under an applicable U.S. treaty and certain documentation requirements are met. The documentation requirements are generally designed to provide withholding agents with sufficient information to enable them to allocate income amongst partners, to identify the beneficial owners of the income and to establish such beneficial owners' residence and entitlement to a treaty-reduced rate of withholding for U.S. federal income tax purposes. A withholding agent which has deducted and withheld U.S. federal income tax on FDAP on behalf of the REIT LP is required to file information Form 1042-S on behalf of the REIT LP with respect to each partner to whom a payment was made (or deemed made).

Treaty Reduced Rates of U.S. Tax on FDAP

U.S. source FDAP payments that would otherwise be subject to 30 percent withholding at source when paid to a foreign partnership (such as the REIT LP) are treated as being made directly to the partners of the foreign partnership in certain circumstances. For example, a payment made to a foreign partnership is treated as made directly to a foreign partner if the foreign partnership satisfies certain documentation requirements and a foreign clearing organization or the financial institution through which the partner beneficially owns its partnership interest is a "qualified intermediary" that can reliably associate the payment with documentation that establishes the beneficial owner as a foreign person entitled to a reduced rate of withholding under an applicable U.S. treaty. Withholding is made at the reduced treaty rate of withholding where the required documentation is in place and the requirements for a reduced rate of withholding are satisfied.

Reduced rates of withholding tax on FDAP payments are not available under the Treaty unless the beneficial owner is a qualified resident of Canada under the Treaty.

A resident of Canada (within the meaning of the Treaty) who is a natural person generally is entitled to all of the benefits of the Treaty.

Similarly, an RRSP generally is entitled to all of the benefits of the Treaty if its sole beneficiary is an individual resident in Canada.

A TFSA, on the other hand, is not entitled to benefits, as an entity or arrangement, under the Treaty. Instead, income received by a TFSA is treated as received by the beneficiary of the TFSA and the TFSA should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA may, however, be eligible for Treaty-reduced withholding tax rates.

Whether a corporation resident in Canada is entitled to all of the benefits of the Treaty depends on a number of factors. Corporations resident in Canada that intend to invest in the REIT LP should consult their own tax advisors to determine whether they are eligible for Treaty-reduced rates of tax.

Anti-Hybrid Rules

The source and character of a partner's distributive share of income received through a partnership is normally determined as if such item were realized directly by the partner. However, Treaty-reduced rates of withholding tax on FPAP payments are not available under either the Code or the Treaty if amounts are paid by or through certain entities ("hybrid entities") that are treated as fiscally transparent by one jurisdiction and not by the other (the "Anti-Hybrid Rules"). Neither the US REIT nor the REIT LP should be treated as hybrid entities either under the Code or under the Treaty. Accordingly, Unitholders should be eligible for Treaty-reduced rates on their distributive shares of FDAP received through the REIT LP to the same extent as if they had received such FDAP directly.

Ordinary REIT Dividends

Distributions out of a REIT's current or accumulated earnings and profits that are not attributable to gain from the sale or exchange of USRPI ("ordinary REIT dividends") are generally treated as U.S. source FDAP and are subject to 30 percent withholding tax at source with no allowance for deductions.

As discussed above, a Canadian resident Unitholder's distributive share of FDAP from the REIT LP may be subject to a Treaty-reduced rate of tax if the Unitholder is also a "qualifying person" under the Treaty. The extent to which the 30 percent tax U.S. tax on FDAP is reduced under the Treaty depends on the nature of the FDAP, certain characteristics of the recipient and the level of the recipient's ownership in the REIT LP.

All or substantially all of the FDAP received by the REIT LP is expected to be dividends from the US REIT. Further, this summary is directed to Unitholders who do not own (and who are not considered to own) more than 5 percent of the Units that are eligible for trading on an exchange. Accordingly, the commentary which follows is mainly limited to FDAP income that is ordinary REIT dividends from the US REIT received by Unitholders who own (and who are considered to own) 5 percent or less of the REIT LP's listed Units.

The applicable Treaty rates of U.S. withholding tax on a Unitholder's distributive share of ordinary REIT dividends that are not ECI should be zero for RRSPs and 15 percent for individuals, including TFSAs. Corporate Unitholders should consult with their own tax advisors to determine whether they are eligible for the 15 percent Treaty-reduced rate.

Certain residents of Canada may not be eligible for Treaty-reduced rates of withholding on their distributive shares of the US REIT's ordinary dividends. In general, Treaty-reduced rates are not available on a Unitholder's distributive share of the US REIT's ordinary REIT dividends if the Unitholder beneficially owns, through the REIT LP, a greater than 10 percent interest in the US REIT.

A Unitholder that has sufficient proof of withholding may generally recover any excess withholding by filing a U.S. federal income tax return for the year in which the distribution is received (Form 1040-NR for nonresident alien individuals and Form 1120-F for foreign corporations), provided the return is filed no later than two years after the tax is withheld. A Unitholder must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return.

Gift and Estate Tax

Gift Tax

Nonresident individuals for gift tax purposes (referred to as non-domiciliary individuals) are subject to U.S. gift tax on gifts of real property and tangible personal property located within the United States, unless a deduction or exclusion is available. Gifts of intangible property by non-domiciliary individuals are generally not subject to the gift tax, even if the intangibles are located in the United States (e.g., U.S. stocks and bonds).

A gratuitous transfer of a partnership interest by a non-domiciliary individual will not be subject to U.S. gift tax (regardless of where the partnership interest is situated) if the partnership interest is considered intangible personal property. The Internal Revenue Service and the courts have accepted, in other contexts, that an interest in a partnership should be treated as intangible personal property. However, there is no clear guidance on whether a partnership interest is intangible property for gift tax purposes. Moreover, the Internal Revenue Service has placed this issue on its “no-rule” list.

The U.S. gift tax rules relating to partnership interests are complex and are unsettled. As such, Unitholders should consult with their own tax advisors for more specific information and advice regarding their U.S. gift tax exposure before making a gift of a Unit.

Estate Tax

A non-domiciliary individual is taxed at death on the fair market value of the individual’s gross estate, less certain deductions and exclusions. The gross estate of a non-domiciliary is limited to certain tangible and intangible property situated in the United States. For example, stocks and bonds of corporations organized in the United States and real property located in the United States are included in a non-domiciliary individual’s U.S. estate.

The transfer of a partnership interest by a non-domiciliary at death will not be subject to U.S. estate tax if the partnership is not considered to be situated in the United States. The place where a partnership interest is situated is not addressed in the Code and the issue has not been judicially resolved. However, the Internal Revenue Service has ruled that a partnership interest is situated “where the partnership business is carried on.”

Substantially all of the REIT LP’s assets will be comprised of shares of the US REIT, which will be considered property situated in the United States for U.S. estate tax purposes. As such, the Internal Revenue Service may take the view that the REIT LP’s business is carried on in the United States and that Units owned by a non-domiciliary individual Unitholder will constitute property having an estate tax situs in the United States, subject to the payment of U.S. estate tax by such Unitholder’s estate (with possible full or partial Treaty relief) based upon the fair market value of such Units at the time of death.

The U.S. estate tax rules relating to partnership interests are complex and remain unsettled. As such, Unitholders should consult with their own tax advisors for more specific information and advice regarding their specific U.S. estate tax exposures (and any potential relief under the Treaty) should such Unitholders hold Units at the time of their deaths.

Federal Income Taxation of the US REIT

The US REIT intends to elect to be a REIT commencing with its first taxable year. However, qualifying as a REIT depends on an entity meeting various REIT requirements each taxable year. As such, there is no assurance that the US REIT will qualify as a REIT. The failure of the US REIT to qualify as a REIT in its first or in any subsequent taxable year may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

The following describes the general REIT qualification rules and the significant U.S. federal income tax consequences to a business entity electing to be treated as a REIT.

The sections of the Code and Regulations relating to qualification and operation as a REIT are highly technical and complex. The following discussion sets out, in very general terms, the material aspects of the Code and Regulations that govern the U.S. federal income tax treatment of the US REIT and its non-U.S. interest holders.

A business entity that qualifies and timely elects to be taxed as a REIT is not generally subject to U.S. federal income tax on its income and capital gains that it distributes to its interest holders each year. However, it would remain subject to U.S. federal income tax in certain circumstances.

For example:

- Undistributed taxable income (including undistributed net capital gains) will be taxed at the regular rates for corporations.

- The US REIT may be subject to "alternative minimum tax" on items of tax preference, if any.

- The US REIT is subject to the highest corporate income tax rate on net income from a sale or other disposition of "foreclosure property" (i.e., generally, property acquired through foreclosure or after default on a loan secured by the property or a lease of the property) held primarily for sale to customers in the ordinary course of business and on other non-qualifying income earned from foreclosure property.

- The US REIT is subject to a 100 percent tax on net income from "prohibited transactions". Prohibited transactions are generally sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

- The US REIT is subject to a 100 percent tax on certain transactions with its taxable REIT subsidiaries (defined generally below) if such transactions are not at "arm's-length", as defined.

- If the US REIT fails to satisfy either the 75 percent or 95 percent gross income test (as discussed below) but has nonetheless maintained its qualification as a REIT because it has met certain other requirements, the US REIT will be subject to a 100 percent tax on an amount equal to the greater of the amount by which it fails the 75 percent or 95 percent test multiplied by a fraction calculated to reflect the US REIT's profitability.

- If the US REIT (1) fails to satisfy any of the REIT asset tests (as discussed below), other than a "de minimis" failure of the 5 percent or 10 percent REIT asset test (as described more fully below), it may continue to qualify as a REIT if it meets certain other requirements and it pays a tax equal to the greater of $50,000 or the highest corporate income tax rate multiplied by the net income from the non-qualifying assets for the period of time it failed to satisfy the asset tests; or (2) fails to satisfy REIT requirements other than the gross income and asset tests and meets certain other requirements, it will have to pay $50,000 for each failure in order to remain a REIT.

- The US REIT is subject to a 4 percent excise tax on the excess of the required distribution over the sum of amounts distributed and amounts retained on which U.S. federal income tax was paid. The required distribution for this purpose is at least 85 percent of its ordinary income, 95 percent of its capital gain net income, and any undistributed amounts from prior periods.

Requirements for REIT Qualification

To qualify as a REIT, a business entity must timely elect to be treated as a REIT and must meet certain organizational, operational, income, asset and distribution requirements, discussed in very general terms below.

<u>Organizational Requirements</u>

The Code defines a REIT as a corporation, trust or association that:

1. Is managed by one or more trustees or directors;

2. Issues transferable stock or transferable certificates as evidence of beneficial ownership;

3. Would be taxed as a domestic corporation but for the REIT provisions of the Code;

4. Is neither a financial institution nor an insurance company;

5. Is beneficially owned by at least 100 persons ("100 Shareholder Requirement");

6. Not more than 50 percent of the value of its outstanding equity interests is owned, directly, indirectly or by attribution, by five or fewer "individuals" (as defined in the Code to include certain entities), during the last half of the taxable year ("Not-Closely Held Requirement"); and

7. Satisfies the asset and income requirements, described below.

Conditions (1) to (4) described above must be met for the entire taxable year. The 100 Shareholder Requirement must be met for at least 335 days of a 12-month taxable year or for a proportionate number of days if the taxable year is less than 12 months. The Not-Closely Held Requirement is generally measured at the individual level through the application of constructive ownership rules. The 100 Shareholder Requirement, on the other hand, is generally measured at the actual shareholder level. Both the 100 Shareholder Requirement and the Not-Closely Held Requirement are waived for the first taxable year for which a REIT election is made.

A REIT's taxable year must be the calendar year. As well, a REIT cannot have earnings and profits as of the close of any REIT taxable year which were accumulated in a non-REIT taxable year. As discussed more fully below under the heading "Annual Distribution Requirements", the US REIT is required to make dividend distributions equal to at least 90 percent of REIT taxable income, determined without regard to the deduction for dividends paid and by excluding any net capital gain, plus 90 percent of the excess of net income from foreclosure property over the tax imposed on such income, less "excess non-cash income". A REIT is also required to maintain certain records pertinent to its qualified REIT status.

REIT Subsidiaries

The separate existence of a qualified REIT subsidiary is disregarded for U.S. federal income tax purposes. All the assets, liabilities, income, deductions, and credits of a qualified REIT subsidiary are treated as though they are owned or earned directly by the REIT. A qualified REIT subsidiary is a corporation other than a taxable REIT subsidiary if 100 percent of the stock of the entity is owned by the REIT.

A taxable REIT subsidiary ("TRS") is treated as a separate entity and is taxed as a regular corporation. A TRS is usually formed to earn nonqualified REIT income or to hold nonqualified REIT assets. A TRS is an entity in which the REIT directly or indirectly owns stock and for which a joint election is timely made by the REIT and by the subsidiary. A corporation of which a TRS directly or indirectly owns more than 35 percent of the voting power or value of the securities will itself be automatically treated as a TRS.

REIT Partnerships

For purposes of determining the US REIT's qualified status, a REIT that is a partner in a partnership that has not elected to be treated as a corporation (and is not otherwise treated as a corporation for U.S. federal income tax purposes) is deemed to own its proportionate share of the assets of the partnership and is deemed to earn its proportionate share of the income of the partnership. The character of a partnership's assets and its gross income is retained in the hands of the REIT.

A partnership is not subject to U.S. federal income tax; instead, its partners are required to recognize for U.S. federal income tax purposes their respective shares of the partnership income and other allocated items.

Annual Income Requirements

The US REIT must meet the following two gross income test requirements, excluding gross income from prohibited transactions and certain hedging transactions, annually:

1. At least 75 percent of the US REIT's gross income ("75 percent gross income test"), excluding gross income from prohibited transactions and certain hedging transactions, must be derived from:

    - Rents from real property, as defined;
    - Interest on obligations secured by mortgages on real property;
    - Gain from the sale of real property that is not held primarily for sale;
    - Income and gain derived from "foreclosure property" (as previously described);
    - Income from certain temporary investments (described below); and
    - Certain other real estate-related income.

2. At least 95 percent of the US REIT's gross income ("95 percent gross income test"), excluding gross income from prohibited transactions and certain hedging transactions, must be income of a passive-type, including:

    - Income described in the 75 percent test, above;
    - Dividends, including dividends from a TRS;
    - Interest (whether or not secured by a mortgage); and
    - Gain from the sale or disposition of stock or securities not held primarily for sale.

Certain Types of Income

Rents from Real Property: Generally, "rents from real property" means the gross amounts received for the use of real property. "Rents from real property" includes:

1. Rents from interests in real property;
2. Charges for services customarily furnished or rendered (i.e., services customarily provided in the geographic area in connection with the rental of space for occupancy) in connection with the rental of real property, whether or not those charges are separately stated;
3. Rent attributable to personal property that is leased in connection with a lease of real property provided that the rent attributable to personal property does not exceed 15 percent of the total rental amount; and
4. Rents received from a TRS (which would otherwise be disqualified as related party rents), provided that certain conditions are satisfied.

"Rents from real property" does not include, among other categories of real property-related rental income,

1. Any amount received or accrued that is based upon profits of any person either in whole or in part, directly or indirectly. However, an amount is not so excluded solely by being based on a fixed percentage or percentages of sales or if it is based on the net income of a tenant which derives substantially all of its

income with respect to such property from subleasing substantially all of such property, to the extent that the rents paid by the subtenants would qualify as rents from real property, if earned directly by the REIT;

2. Any amounts received from a tenant that is directly or indirectly 10 percent owned (based on voting power or value for a corporate entity or assets or net profits for a non-corporate entity) by the REIT, except in certain cases for amounts received from a taxable TRS; and

3. Impermissible tenant service income ("ITSI").

Generally, ITSI means, with respect to a property, any amount received or accrued directly or indirectly by a REIT for furnishing or rendering services to its tenants or for managing or operating the property. However, if such services are rendered or furnished, or such management or operation is provided through (1) an "independent contractor" (as defined) from whom the REIT does not derive or receive any income; or (2) a TRS of the REIT, then such services, management or operation is not treated as furnished, rendered or provided by the REIT for purposes of determining whether they create ITSI. In addition, certain customary property management services may be provided directly by the REIT without causing amounts to be treated as ITSI. Nonetheless, if the amount of ITSI as determined under the preceding rules exceeds 1 percent of all amounts received or accrued directly or indirectly during the taxable year by the REIT with respect to such property, then all such amounts received with respect to the property are treated as ITSI.

Property Held Primarily for Sale: A REIT is subject to a 100 percent tax on its net income from "prohibited transactions". A prohibited transaction includes the sale of property held primarily for sale to customers in the ordinary course of business other than a foreclosure property. Whether property is held primarily for sale to customers in the ordinary course of business depends on the facts and circumstances. However, a prohibited transaction is deemed not to include the sale of property that is a real estate asset and is held primarily for sale to customers in the ordinary course of business if:

1. The REIT has owned the property (consisting of land and improvements) for two years or longer for the production of rental income;

2. The aggregate expenditures of a capital nature made by the REIT or its partner on the property during the two-year period prior to the sale do not exceed 30 percent of the property's net selling price; and

3. The REIT (a) makes no more than seven sales of property during the taxable year, (b) the aggregate tax bases of the properties sold during the year does not exceed 10 percent of the aggregate tax bases of all the REIT's assets, determined as of the beginning of the tax year, or (c) the fair market value of the properties sold during the taxable year does not exceed 10 percent of the fair market value of all of the REIT's assets, determined as of the beginning of the tax year. If the REIT relies on the percentage of tax bases or fair market value test to avoid prohibited transaction treatment, then substantially all the marketing and development expenditures with respect to the property must be made through an independent contractor in a prescribed manner.

Income from certain temporary investments: Interest income on obligations not secured by real property and certain other investment income may qualify under the 75 percent gross income test if it is "qualified temporary investment income". Qualified temporary investment income is limited to certain investment income from stock or a debt instrument that is attributable to the temporary investment of new capital and is received or accrued during the one-year period beginning on the date the REIT receives such new capital. The same one year period also limits the time such temporary investments are treated as real estate assets for asset testing purposes.

Quarterly Asset Requirements

At the end of each quarter, the US REIT must meet certain asset requirements, generally as follows:

- At least 75 percent of the value of the US REIT's gross assets must consist of real estate assets (which generally include qualified temporary investments, described above, interests in real property, interest in mortgages and shares in other REITs), cash, cash items, and U.S. Government securities.

- Not more than 25 percent of the value of its total assets may consist of securities, other than U.S. Government securities and securities that qualify as real estate assets.

- Not more than 25 percent of the value of its total assets may consist of securities of TRSs (see earlier discussion).

- Not more than 5 percent of its total assets may consist of securities of one issuer (other than interests in TRSs, U.S. Government securities and securities that qualify as real estate assets).

- The US REIT may not hold securities that make up more than 10 percent of total voting power or value of the outstanding securities of any one issuer (except for interests in TRSs, U.S. Government securities, securities that qualify as real estate assets and, and for the 10 percent value limitation purposes, certain exempted securities).

If the US REIT meets the asset tests at the close of any quarter, it will not lose its REIT status if it fails to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values of assets owned in the immediately preceding quarter (including a failure caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If, on the other hand, the US REIT fails the asset test because of the acquisition of an asset, the failure can be cured by disposing of non-qualifying assets within 30 days after the close of the quarter. Under certain circumstances, the US REIT may avoid REIT disqualification after the 30-day cure period by disposing of sufficient non-qualifying assets (or otherwise meeting such asset tests) within six months of the last day of the quarter in which the US REIT first identifies the violation and by taking certain other steps.

If the US REIT fails to satisfy the REIT requirements, other than the gross income tests and the asset tests, it may avoid REIT disqualification if such a failure is due to reasonable cause and not due to willful neglect and the US REIT pays $50,000 for each such failure.

A REIT that is disqualified as a REIT cannot generally again elect to become a REIT prior to the fifth taxable year beginning after the first taxable year for which the termination is effective unless it can establish the disqualification was due to reasonable cause and not due to willful neglect. A corporation that elects REIT status and which is later disqualified as a REIT becomes subject to U.S. federal income tax as a U.S. corporation.

Annual Distribution Requirements

The US REIT is required annually to take a dividends paid deduction at least equal to the sum of (1) 90 percent of its REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain); and (2) 90 percent of the excess of net income from foreclosure property over the tax imposed on such income, minus "excess non-cash income". Generally, a distribution is treated as a dividend that may qualify for the dividends paid deduction only to the extent it is paid from current or accumulated earnings and profits of the US REIT and provided it is not treated as a preferential dividend.

Generally, a dividend paid during the taxable year is taken into account in the same year, for purposes of the dividends paid deduction. However, dividends paid in the immediately subsequent year are treated as if distributed on December 31 of the prior year if the dividends were declared in October, November or December of the prior year, the dividends were payable to "stockholders" of record on a specified date in such a month, and the dividends were actually distributed during January of the immediately subsequent year.

A dividend is also taken into account for the prior year if it is declared before the US REIT timely files its federal income tax return for such year, it is actually paid in the 12-month period following the close of the prior year, it is paid not later than the first regular dividend payment after such declaration, and the US REIT timely files an election. To the extent the US REIT relies on this election for more than 15 percent of its ordinary income or more than 5 percent of its capital gain net income, it may be subject to 4 percent excise tax on such excess late distributions. Finally, the US REIT and its holders of common interest (i.e., consent stock) may agree to deem a dividend to occur if certain conditions are met and if consents to such treatment are timely filed.

The US REIT may choose to treat certain dividends to be treated as designated capital gain dividends. The US REIT may designate prior distributions as capital gain dividends in a written notice mailed to shareholders within 30 days of the close of the taxable year, or in its annual report for the taxable year. Capital gain dividends are generally limited to the amount of the REIT's net capital gain for the year. Capital gain dividends are taxed in the hands of the beneficiaries as a gain from the sale or exchange of a capital asset held for more than one year.

Records Maintenance

The US REIT is required to keep such records as are required in order to disclose the actual ownership of its outstanding equity interests. The actual owner of the US REIT's outstanding equity interests is generally the person who is required to include the dividends received from the US REIT in gross income for U.S. federal income tax purposes.

Other Applicable Rules

The US REIT is generally subject to all other provisions of the Code that apply to corporations except to the extent those provisions are inconsistent with the REIT rules. For example, but for the dividends paid deduction and certain modifications to the normal operating rules applicable to corporations, the US REIT generally computes its taxable income in the same way as a U.S. corporation. As such, the US REIT is entitled to deduct ordinary and necessary expenses, including fees, interest, depreciation and amortization computed under the rules of the Code and other amounts that are not properly treated as being on capital account. However, to be deductible, expenses must also meet the clear reflection of income, economic performance and certain other standards.

New IRS Reporting Rules

New U.S. tax rules generally impose a reporting and 30 percent withholding tax with respect to (a) certain U.S.-source income (including interest and dividends and gross proceeds from the sale or other disposition of property that can produce U.S.-source interest or dividends) ("withholdable payments") and (b) "passthrough payments" (generally, withholdable payments and payments that are attributable to withholdable payments) made by non-U.S. financial institutions. The definition of "financial institution" for this purpose is broad and should include the REIT LP.

Under the new rules, unless the REIT LP enters into an agreement with the IRS pursuant to which it agrees to report to the IRS information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the REIT LP (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the REIT LP will be subject to a 30 percent withholding tax on withholdable payments made to it after December 31, 2013, and on foreign passthrough payments (generally, passthrough payments that are not withholdable payments) made to it after December 31, 2016 by non-U.S. financial institutions that have an agreement with the IRS in effect. In addition, the REIT LP may be required to withhold the 30 percent tax on a portion of the distributions that it makes to Unitholders that fail to provide information requested by the REIT LP to comply with the new rules. Non-U.S. financial institutions that have entered into an agreement with the IRS and that hold Units on behalf of a Unitholder may also be required to withhold the 30 percent tax on foreign passthrough payments that they make with respect to the Units after December 31, 2016, to a non-U.S. financial institution that has not entered into an agreement with the IRS or to a Unitholder that fails to provide information requested by such non-U.S. financial institution to comply with the new rules.

This description is based on guidance issued by the IRS. Future guidance from the IRS may affect the application of these rules to the Units.

RISK FACTORS

Investing in the REIT LP's securities involves a high degree of risk. In addition to the other information contained in this Prospectus, you should carefully consider the following risk factors before purchasing Units. The occurrence of any of the following risks could materially and adversely affect the REIT LP's investments, prospects, cash flows, results of operations or financial condition and the REIT LP'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 the REIT LP believes that the risk factors described below and under the heading "Risk Factors" in the IPO Prospectus filed on SEDAR at www.sedar.com are the most material risks that the REIT LP face, they are not the only risks. Additional risk factors not presently known to the REIT LP or that the REIT LP currently believe are immaterial could also materially and adversely affect the REIT LP's investments, prospects, cash flows, results of operations or financial condition and the REIT LP's ability to make cash distributions to Unitholders and negatively affect the value of the Units.

Risks Related to the Offering

The Offering Price was established by negotiation among the REIT LP and the Underwriters with reference to the market price of the Units and other factors, and may not be indicative of the price at which the Units will trade following the completion of the Offering.

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 Managing GP and the Governing GP's executive officers and other key personnel; (v) sales or perceived sales of additional Units; (vi) significant acquisitions or capital commitments by or involving the REIT LP or its competitors; and (vii) 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.

Dilutive Effects of this Offering

The REIT LP intends to use the net proceeds of the Offering to fund the acquisition of the Bear Creek Property and prospective acquisitions of income producing multi-family real estate properties, and for general working capital purposes. The Managing GP will be responsible for the supervision of the investment of the net proceeds from this Offering, and will adhere to the REIT LP's investment policies contained in the REIT LP Agreement. If the Managing GP is unable to identify additional suitable properties for acquisition, the REIT LP will possess substantial unutilized acquisition capacity, which will cause its financial performance to be negatively impacted until such properties are identified for acquisition and such acquisitions are completed. There is no assurance that such suitable investments will be available to the REIT LP in the near future or at all. Unitholders may be negatively impacted by the dilutive effects of this Offering.

Completion of Property Acquisition

There is one property under contract, namely the Bear Creek Property. The closing of the acquisition of the Bear Creek Property is expected to occur subsequent to the closing of this Offering. In order to complete the acquisition of the Bear Creek Property, the REIT LP must obtain mortgage financing for the Bear Creek Property. See "Use of Proceeds – Factors Affecting Mortgage Financing for the Bear Creek Property". As a result, there can be no assurance that the REIT LP will complete the acquisition on the basis described in this Prospectus or on the expected completion date, or at all. If the REIT LP does not complete such acquisition or any part thereof and this Offering is completed, the REIT LP will possess substantial unutilized acquisition capacity, which will cause its financial performance to be negatively impacted until suitable properties are identified for acquisition and such acquisition is completed. There is no assurance that such suitable investments will be available to the REIT LP in the near future or at all.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the REIT LP's properties, including the Arlington Portfolio and the Prairie Creek Property for periods prior to the REIT LP's initial public offering included in this Prospectus or incorporated by reference herein, has been derived from the respective vendors' accounting records. The REIT LP believes that the assumptions underlying such financial statements are reasonable. However, such financial statements may not reflect what the REIT LP's financial position, results of operations or cash flows would have been had the REIT LP been a stand-alone entity during the historical periods presented or what the REIT LP's financial position, results of operations or cash flows will be in the future.

For all of the aforesaid reasons and for the reasons set forth under the heading "Risk Factors" in the IPO Prospectus filed on SEDAR at www.sedar.com, an investment in the Units involves a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and the IPO Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the REIT LP Units. The REIT LP Units should only be purchased by persons who can afford to lose all of their investment.

PROMOTER

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

The Managing GP owns 200,000 Class B Units, being all of the issued and outstanding Class B Units. See "Description of Units – Class B Units".

Pursuant to the Asset Management Agreement, the Managing GP provides asset management, administrative and reporting services to the REIT LP as its managing general partner. The Managing GP provides these services to the REIT LP through the provision of qualified senior management. 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. See "Description of Business – Asset Management".

The promoter is not, or within the 10 years before the date of this Prospectus has not been, a director, chief executive officer or chief financial officer of any person or company that:

(a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of (a) and (b) above, "order" means: (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant person or company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Within the 10 year period before the date of this Prospectus, the promoter has not 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 trustee appointed to hold his, her or its assets; or has been a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of the promoter 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 trustee appointed to hold its assets.

The promoter has not 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.

LEGAL PROCEEDINGS

Neither of the REIT LP nor the US REIT is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT LP or the US REIT.

AUDITORS

The REIT LP's auditors are KPMG LLP of 777 Dunsmuir Street, Vancouver, British Columbia V7Y 1K3. As at October 11, 2012, KPMG LLP did not own, beneficially, directly or indirectly, any of the outstanding securities of the REIT LP and its associates and affiliates.

REGISTRAR AND TRANSFER AGENT

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

Registration and transfers of Units will be effected only through the book-entry only system administered by CDS. A purchaser of Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See "Plan of Distribution".

MATERIAL CONTRACTS

The only material contract to be entered into by the REIT LP in respect of this Offering is the Underwriting Agreement referred to under "Plan of Distribution" and the purchase and sale agreement described under "Property under Contract". Copies of these agreements are available for inspection during regular business hours at the offices of the REIT LP, located at 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, while this Offering is in progress, and for a period of 30 days thereafter. Copies of these agreements are also available electronically on SEDAR at www.sedar.com.

EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, senior officer or employee of the REIT LP, or of an associate of the REIT LP, or is a promoter of, or of any associate of, the REIT LP.

Certain legal matters in connection with this Offering will be passed upon by Clark Wilson LLP, on behalf of the REIT LP, and by Miller Thomson LLP, on behalf of the Underwriters. In addition, an opinion with respect to the value of the

Sunset Point Property and the Springmist Property was prepared by Deverick & Associates, Inc. and an audit report with respect to the financial statements of M&A Texas Prairie LP was prepared by NSBN LLP and has been included in the Prospectus. There were no registered or beneficial interests, direct or indirect, in any securities or other property of the REIT LP or of one of its associates or affiliates: (i) held by the designated professionals (as such term is defined in the relevant securities legislation) of Clark Wilson LLP, Miller Thomson LLP, Deverick & Associates, Inc. or NSBN LLP, when such firm prepared the report, valuation, statement or opinion referred to herein as having been prepared by such firm; (ii) received by the designated professionals of Clark Wilson LLP, Miller Thomson LLP, Deverick & Associates, Inc. or NSBN LLP, after the time specified above; or (iii) to be received by the designated professionals of Clark Wilson LLP, Miller Thomson LLP, Deverick & Associates, Inc. or NSBN LLP; except in each case for the ownership of Units, which in respect of each designated professional, has at all relevant time represented less than 1% of the outstanding Units.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two (2) business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation in several Canadian provinces further provides a purchaser with remedies for rescission, or in some jurisdictions revisions of the price or damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province of residence. A purchaser of the Units hereunder should refer to the securities legislation of any applicable provinces in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

INDEX TO FINANCIAL STATEMENTS

This Prospectus contains the following financial statements:

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

AUDITOR'S CONSENT

The Directors of Pure Multi-Family REIT (GP) Inc. as general partner of Pure Multi-Family REIT LP

We have read the short form prospectus dated October 12, 2012 relating to the sale and issue of units of Pure Multi-Family REIT LP (the "Entity"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned short form prospectus of our report to the Directors of Pure Multi-Family REIT (GP) Inc. on the combined financial statements of the Arlington Portfolio comprising the statement of financial position as at December 31, 2011, the combined statements of income and comprehensive income, cash flows and changes in net assets attributable to owners for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated October 12, 2012.

Further, we consent to the use through incorporation by reference in the above mentioned short form prospectus, of our report to the Directors of Pure Multi-Family REIT (GP) Inc. on the following:

1 Combined financial statements of the Initial Portfolio comprising the combined statements of operations for the years ended December 31, 2011 and December 31, 2010 and notes, comprising a summary of significant accounting policies and other explanatory information;

2 Combined schedule of assets acquired and liabilities assumed of the Initial Portfolio by the Entity, as at July 12, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information; and

3 Financial statements of the Entity, which comprise the statement of financial position as at May 8, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

Our reports for statements 1 and 3 above are dated July 3, 2012. Our report for statement 2 is September 14, 2012.

"KPMG LLP"

Chartered Accountants
October 11, 2012
Vancouver, Canada

Pure Multi-Family REIT LP

Interim Consolidated Financial Statements

Period Ended July 31, 2012

Expressed in United States dollars

Expressed in United States dollars

	July 31, 2012
ASSETS	
Non-current assets	
Investment properties (note 4)	**$ 44,558,918**
Current assets	
Prepaid expenses	**82,099**
Mortgage reserve fund (note 5)	**1,081,564**
Deposits (note 6)	**825,500**
Amounts receivable	**154,019**
Cash held in trust	**10,000**
Cash and cash equivalents	**34,815,347**
	36,968,529
TOTAL ASSETS	**$ 81,527,447**
LIABILITIES	
Non-current liabilities	
Mortgages payable (note 7)	**$ 27,297,353**
Current liabilities	
Rental deposits	**54,561**
Unearned revenue	**12,041**
Accounts payable and accrued liabilities	**706,340**
	772,942
TOTAL LIABILITIES	**28,070,295**
PARTNERS’ CAPITAL (note 8)	**53,457,152**
TOTAL LIABILITIES AND PARTNERS’ CAPITAL	**$ 81,527,447**

Nature of business and basis of presentation (note 1 and 2)

Subsequent events (note 13)

Approved on behalf of the General Partner,
Pure Multi-Family REIT (GP) Inc.:

“Robert W. King” Director
Robert W. King

“Darren T. Latoski” Director
Darren T. Latoski

The accompanying notes are an integral part of these consolidated financial statements

Expressed in United States dollars

	Limited Partners Class A	Limited Partners Class B	General Partner	Accumulated Earnings (Deficit)	Total
Balance, May 8, 2012	$ -	$ -	$ -	$ -	$ -
General partner contribution	-	-	20	-	20
Issuance of units, net of offering costs	52,620,111	1,000,000	-	-	53,620,111
Distributions to unitholders	-	-	-	(254,211)	(254,211)
Net income for the period	-	-	-	91,232	91,232
Balance, July 31, 2012	**$ 52,620,111**	**$ 1,000,000**	**$ 20**	**$ (162,979)**	**$ 53,457,152**

The accompanying notes are an integral part of these consolidated financial statements

Expressed in United States dollars

		From date of formation on May 8, 2012 to July 31, 2012
REVENUES		
Rental	$	274,545
OPERATING EXPENSES		
Insurance		20,407
Property management		8,676
Property taxes		30,220
Property operating expenses		51,616
		110,919
NET RENTAL INCOME		163,626
NET FINANCE INCOME (EXPENSES)		
Interest income		1,169
Mortgage interest		(44,918)
		(43,749)
NET OTHER INCOME (EXPENSES)		
Other income		17,168
General and administrative		(8,982)
Fair value adjustments to investment properties (note 4)		(36,831)
		(28,645)
NET INCOME AND COMPREHENSIVE INCOME	$	91,232
Earnings per unit		
Basic and diluted	$	0.01
Weighted average number of Class A units		
Basic and diluted		11,269,231

The accompanying notes are an integral part of these consolidated financial statements

Expressed in United States dollars

		From date of formation on May 8, 2012 to July 31, 2012
Cash provided by (used in)		
OPERATIONS		
Net income	$	91,232
Items not involving cash:		
Fair value adjustments to investment property (note 4)		36,831
Interest income		(1,169)
Mortgage interest		44,918
Changes in non-cash working capital items:		
Increase in amounts receivable		(154,019)
Increase in prepaid expenses		(82,099)
Increase in accounts payable and accrued liabilities		706,340
Increase in unearned revenue		12,041
Increase in rental deposits		54,561
		708,636
INVESTING		
Capital additions to and acquisitions of investment properties		(44,595,749)
Deposits		(825,500)
Cash held in trust		(10,000)
Interest received		1,169
		(45,430,080)
FINANCING		
Distributions to unitholders		(254,211)
General partner capital contribution		20
Mortgage interest paid		(44,918)
Mortgage proceeds received		27,710,000
Mortgage reserve fund		(1,081,564)
Payment of mortgage transaction costs		(412,647)
Proceeds from issuance of units		58,500,000
Unit offering costs		(4,879,889)
		79,536,791
Net change in cash and cash equivalents		34,815,347
Cash and cash equivalents, beginning of period		-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	34,815,347

The accompanying notes are an integral part of these consolidated financial statements

1. PURE MULTI-FAMILY REIT LP INFORMATION

Pure Multi-Family REIT LP ("Pure Multi") is a limited partnership formed under the *Limited Partnership Act* (Ontario) to invest in multi-family real estate properties in the United States. Pure Multi was established by Pure MultiFamily Management Limited Partnership (the "Managing GP"), its managing general partner, and Pure Multi-Family REIT (GP) Inc. (the "Governing GP"), its governing general partner, pursuant to the terms of the Partnership Agreement. Pure Multi's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. A copy of the Partnership Agreement can be obtained from Pure Multi or on SEDAR at www.sedar.com.

Pure Multi was established, among other things, for the purposes of:

a) acquiring Common Shares and Series A Preferred Shares(1) of Pure US Apartments REIT Inc. (the "US REIT");

b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi and making distributions to Unitholders;

c) in connection with the undertaking set out above, reinvesting income and gains of Pure Multi and taking other actions besides the mere protection and preservation of Pure Multi Property.

(1)a Series A Preferred Share means one preferred share in the capital of the US REIT having the terms and conditions set out in the bylaws of the US REIT and in the prospectus.

The principal business of Pure Multi will be to issue Units and to acquire and hold Common Shares and Series A Preferred Shares of the US REIT. The US REIT was established, among other things, for the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

These interim consolidated financial statements were authorized for issue by the Governing GP on September 25, 2012.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These interim consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and the accounting policies that Pure Multi expects to adopt in its December 31, 2012 annual consolidated financial statements. These accounting policies are based on the IFRS and IFRICs that Pure Multi expects to be applicable at that time.

b. Basis of measurement

These interim consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The preparation of these interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying Pure Multi's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(N).

c. Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is Pure Multi's functional currency.

d. Presentation of financial statements

Pure Multi uses a classified statement of financial position. The consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. Pure Multi classifies the statements of income and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these interim consolidated financial statements are set out below. The accounting policies have been applied consistently by group entities unless otherwise stated.

A. Basis of consolidation

The interim consolidated financial statements comprise the financial statements of Pure Multi and its subsidiaries, over which Pure Multi has control. Control exists when Pure Multi has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

Intra-group transactions and balances are eliminated in preparing the interim consolidated financial statements. The interim consolidated financial statements reflect the financial position and cash flows of Pure Multi and its subsidiaries.

B. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. The basis of the judgment is set out in note 3(N).

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisition. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

C. Investment properties

Investment properties comprise properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Pure Multi defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of income and comprehensive income in the period in which they arise.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income and comprehensive income in the period of retirement or disposal.

Gains or losses on the disposal of an investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

D. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from Pure Multi to the lessees are accounted for as finance leases. All current leases of Pure Multi are operating leases.

E. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

F. Finance income (expenses)

Finance income (expenses) consists of interest income and mortgage interest. Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

G. *Translation of foreign currency*

The functional and reporting currency of Pure Multi is United States dollars. Pure Multi has some transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the exchange rate in effect on the dates they occur. Realized and unrealized exchange gains and losses are included in earnings.

H. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Pure Multi's designation of such instruments.

Pure Multi classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Cash held in trust	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

I. Fair value

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

J. Impairment of financial assets

At each reporting date, Pure Multi assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

K. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash held at banks.

L. Income taxes

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of Pure Multi is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of Pure Multi for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the "SIFT Measures") which levy tax on certain trusts and partnerships that are specified investment flow-through entities ("SIFTs") in defined circumstances. Certain distributions attributable to a SIFT's "non-portfolio earnings" will not be deductible in computing a SIFT's income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. Management believes that Pure Multi is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that Pure Multi would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate Pure Multi in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If Pure Multi becomes a SIFT it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

Pure Multi's subsidiary, the US REIT, intends to timely make and maintain an election to be taxed as a U.S. real estate investment trust ("REIT") under the U.S. Internal Revenue Code (the "Code") and to take the necessary steps to qualify as a REIT pursuant to the Code. In order for the US REIT to qualify as a REIT, the US REIT must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its shareholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. As a REIT, the US REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to shareholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the reporting period have been met, and accordingly no provision for US federal and state income taxes has been made.

Management intends to operate the US REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the US REIT fails to qualify as a REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates, including any applicable alternative minimum tax. In addition, the US REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the US REIT qualifies for taxation as a REIT, the US REIT may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

M. Operating segments

Pure Multi currently operates in one business segments, the owning and operating of multifamily apartment properties in the sun-belt area in the United States. The primary format for segment reporting is based on geographical region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the general partners.

N. *Significant accounting judgments and estimates*

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. *Judgments*

In the process of applying Pure Multi's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

(i) Deferred income tax

Canadian deferred income taxes are not recognized in Pure Multi's consolidated financial statements on the basis that Pure Multi does not pay any income tax as disclosed in note 3(L).

(ii) Asset acquisitions

The US REIT acquires individual real estate properties. At the time of acquisition, the US REIT considers whether or not the acquisition represents the acquisition of a business. The US REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

b. *Estimates*

The significant areas of estimation include the following:

(i) Valuation of investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

O. Allocation of net income or net loss

Where Distributable Cash, as described in the Prospectus dated July 3, 2012, was paid in respect of a Fiscal Year, the Net Income of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

a) first, to the Governing GP 0.01% of the Net Income of Pure Multi to a maximum of $100 per annum;

b) as to the balance:

   (i) to the Class A 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 Class A Unitholders in respect of the Fiscal Year and the denominator of which is the total distributions made by Pure Multi in respect of the Fiscal Year and the amount so determined shall be allocated to each Class A Unitholder by multiplying such amount distributed by a fraction, the numerator of which is the sum of distributions received by such Class A Unitholder with respect to such Fiscal Year and the denominator of which is the aggregate amount of distributions made by Pure Multi to the Class A 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 Pure Multi in respect of the Fiscal Year.

Where no Distributable Cash was paid in respect of a Fiscal Year, Net Income of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

a) first, to the Governing GP 0.01% of the Net Income of Pure Multi to a maximum of $100 per annum;

b) as to the balance:

   (i) to the Class A Unitholders of record at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Shares, the Class A Unit Percentage of the balance divided by 12; and

   (ii) to the Class B Unitholders of record 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 of Pure Multi in respect of that Fiscal Year shall be allocated among the Partners on the following basis:

a) to the Class A 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 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 divided by 12; and.

c) as to the balance, to the Governing GP.

P. Provisions

Provisions are recognized by Pure Multi when: i) Pure Multi has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expenses.

Q. Future accounting policy changes

a. Financial instruments: classification and measurement

In November 2009, as part of the IASB's project to replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, *Financial Instruments*, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

b. Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. This new standard replaces IAS 31, *Interests in Joint Ventures*. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures and will be effective for Pure Multi's year end beginning January 1, 2015. The adoption of IFRS 11 is not expected to have a significant impact on Pure Multi's consolidated financial statements.

c. Consolidated financial statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*. This new standard replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and will be effective for Pure Multi's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 10 is not expected to have a significant impact on Pure Multi's consolidated financial statements.

Expressed in United States dollars

d. Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. This new standard includes disclosure requirements about subsidiaries, joint ventures and associates. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interests that non-controlling interests have in the consolidated entities and the nature and risks associated with interests in other entities. IAS 28, *Investments in Associates*, has been amended and will set the requirements for the application of the equity method when accounting for investments in associates. This standard will be effective for Pure Multi's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 12 is not expected to have a significant impact on Pure Multi's consolidated financial statements.

e. Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This new standard establishes a single source of guidance for fair value measurements when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. This standard will be effective for Pure Multi's year end beginning January 1, 2013, with early adoption permitted. Pure Multi is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

4. INVESTMENT PROPERTIES

On July 12, 2012, Pure Multi, through the US REIT, acquired Windscape Apartment Homes ("Windscape"), located in Grand Prairie, Texas, for a purchase price of $8,378,785, plus standard closing costs and adjustments. This acquisition was financed with cash and a new seven year mortgage in the amount of $5,090,000.

On July 12, 2012, Pure Multi, through the US REIT, acquired Oakchase Apartments ("Oakchase"), located in Arlington, Texas, for a purchase price of $13,580,133, plus standard closing costs and adjustments. This acquisition was financed with cash and a new five year mortgage in the amount of $8,940,000.

On July 18, 2012, Pure Multi, through the US REIT, acquired Stoneleigh at Valley Ranch ("Valley Ranch"), located in Irving, Texas, for a purchase price of $22,600,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new ten year mortgage in the amount of $13,680,000.

		2012
Balance, at May 8, 2012	$	-
Acquisitions		44,595,749
Change in fair value of investment properties		(36,831)
Balance, July 31, 2012	$	44,558,918

The investment properties are pledged as security against the mortgages payable.

The fair value of the investment properties has been determined on a market value basis. As set out in note 3, in arriving at their estimates of market values, management and the independent appraisers have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

Expressed in United States dollars

The appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

Pure Multi does not obtain appraisals for each property at each reporting date. Where Pure Multi does not obtain an appraisal for a specific investment property at the reporting date, management reviews specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

The significant assumptions made relating to the valuations are set out below:

	July 31, 2012	
	Weighted average	Range
Capitalization rate	6.24%	5.50% - 7.00%

5. MORTGAGE RESERVE FUND

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for any repairs to the properties and certain costs. These funds will be released to pay the respective obligations or once certain conditions are met, such as completion of repairs. The term of the mortgage reserve fund is within 12 months.

6. DEPOSITS

Deposits consist of refundable and non-refundable deposits, held pursuant to agreements of purchase and sale, which are to be used solely for the acquisition of properties.

7. MORTGAGES PAYABLE

The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 3.44% as at July 31, 2012.

The mortgages payable are secured by charges on Pure Multi's investment properties.

The amount of mortgages payable on July 31, 2012 was $27,297,353. Included in mortgages payable are the related unamortized mortgage transaction costs of $412,647 as at July 31, 2012, which are amortized over the terms of the mortgages, using the effective interest rate method.

Expressed in United States dollars

Principal repayments, as of July 31, 2012, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2012	$	-
2013		57,080
2014		175,525
2015		180,957
2016		185,766
Thereafter		27,110,672
	$	27,710,000

8. PARTNERS' CAPITAL

The capital of Pure Multi consists of an unlimited number of units of Pure Multi and the interest held by the Governing GP. The Governing GP has made a capital contribution of $20 to Pure Multi and has no further obligation to contribute capital.

On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units (each a "Class B Unit") of Pure Multi and paid consideration of $5.00 per Class B Unit for aggregate proceeds to Pure Multi of $1,000,000, which entitles the Class B Unitholders, initially, a 5% interest in Pure Multi.

On July 10, 2012, Pure Multi issued 10,000,000 Class A Units (each a "Class A Unit") of Pure Multi at a price of $5.00 per unit, for total gross proceeds of $50,000,000, less standard offering costs.

On July 18, 2012, Pure Multi issued 1,500,000 Class A Units at a price of $5.00 per unit for total gross proceeds of $7,500,000, less standard offering costs.

Pure Multi is authorized to issue an unlimited number of Class A Units and Class B Units.

The capital of Pure Multi is divided into Class A Units and Class B Units. The Class A Units are the subject of the Offering described in the Prospectus dated July 3, 2012. The Class B Units were subscribed for by the Managing GP on May 30, 2012. Except as set out in the LP Agreement and described in the Prospectus, no Class A Unit or Class B Unit has any preference or priority over another.

The Class A Units will share in a 95% equity interest in all distributions and all net assets of Pure Multi and the Managing GP, as the holder of the Class B Units, will share in a 5% equity interest in all distributions and all net assets of Pure Multi. These respective interests, which are called the Class A Unit Percentage Interest and Class B Unit Percentage Interest, will remain fixed, notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights becomes fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest.

All distributions will be made to the holders of the Class A Units and the Class B Units in accordance with the Class A Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As further detailed in the LP Agreement, until a Determination Event occurs, distributions from Pure Multi will generally be made 95% to the Class A Units and 5% to the Class B Units.

Pursuant to the LP Agreement, the Class B Unitholders as a class are entitled to convert some or all of their Class B Units into Class A Units based on the Specified Ratio. Upon the Class B Unitholders exercising their Conversion Rights, they will own that number of Class A Units which is equal to the Class B Unit Percentage Interest (initially 5%) of all Class A Units outstanding after such conversion. The Class B Unit Percentage Interest will remain fixed at 5% notwithstanding the issue of further Class A Units, until the occurrence of a Determination Event. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights becomes fixed, and future issuances of Class A 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) Pure Multi'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 Class A Units not held by the offer or are taken-up in such bid; and (c) substantially all of the assets of Pure Multi being sold or Pure Multi being liquidated.

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

(a) Pure Multi 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.

Upon the exercise of the Conversion Rights, the Class B Unitholders will receive that number of Class A 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 LP Agreement, the Class B Unitholders will receive such number of Class A Units representing the same Class B Unit Percentage Interest in the net assets of Pure Multi as was previously designated in the form of Class B Units. Subject to applicable laws, Pure Multi will redesignate all the interests of Class B Unitholders into Units at the Specified Ratio, as defined in the Prospectus dated July 3, 2012, effective as of the date that Pure Multi receives a notice of exercise of the Conversion Rights. Upon such occurrence, the interests of Class B Unitholders will be redesignated as Class A Units. The Class B Units will not be required to be redeemed or cancelled.

Pursuant to the 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 class A 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 Pure Multi's assets.

9. CAPITAL MANAGEMENT

Pure Multi defines capital as mortgages payable and partners' capital. Pure Multi's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the initial offering prospectus; complies with existing debt covenants, if any; funds its business strategies; and builds long-term partners' value. Pure Multi's capital structure is approved by the board of directors of the Governing GP through its periodic reviews.

Expressed in United States dollars

Pure Multi monitors on a monthly basis the "loan to value ratio", which is defined as overall mortgages payable divided by the carrying value of the properties as a whole and serves as an indicator of Pure Multi's financial leverage. The targeted loan to value ratio shall not be more than 70%. Pure Multi's loan to value ratio was 61.3% as at July 31, 2012. Pure Multi was in compliance with all restrictions during the period ended July 31, 2012.

There were no changes in Pure Multi's approach to capital management during the period ended July 31, 2012. The capital structure consisted of the following components at July 31, 2012:

	July 31, 2012
Capital	
Mortgages payable	$ 27,297,353
Partners' capital	53,457,152
Total capital	$ 80,754,505

As Pure Multi did not form until May 8, 2012, there is no comparison period. During the period ended July 31, 2012, Pure Multi issued Class A units, Class B units, received a general partner capital contribution and obtained three new mortgages on its property acquisitions.

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi's financial instruments, including cash and cash equivalents, cash held in trust, amounts receivable, mortgage reserve fund, deposits, and accounts payable and accrued liabilities, the carrying amounts approximate the fair values due to the short-term nature of the instruments.

The fair values of the mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market.

The following table presents the carrying amounts and fair values of Pure Multi's financial instruments:

	July 31, 2012	
	Carrying Amount	Fair Value
Mortgages payable	$ 27,297,353	$ 28,517,963
Accounts payable and accrued liabilities	706,340	706,340
Deposits	825,500	825,500
Mortgage reserve fund	1,081,564	1,081,564
Amounts receivable	154,019	154,019
Cash held in trust	10,000	10,000
Cash and cash equivalents	34,815,347	34,815,347

Financial risk management

The board of directors of the Governing GP has the overall responsibility for the establishment and oversight of Pure Multi's risk management framework. Pure Multi's risk management policies are established to identify and analyze the risks faced by Pure Multi, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to Pure Multi's activities.

In the normal course of business, Pure Multi, through the US REIT, is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to Pure Multi if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Pure Multi's receivables from tenants.

Pure Multi's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process. All trade receivables are current.

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. Pure Multi is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. Whenever possible, Pure Multi, through the US REIT, tries to secure fixed interest rate mortgages. Since all of the mortgages payable bear interest at fixed rates, Pure Multi does not face significant interest rate risk.

The interest rate profile of Pure Multi's interest-bearing financial instruments was:

	Face Value
	July 31, 2012
Fixed rate instruments	
Fixed rate mortgages payable	$ 27,710,000
Variable rate instruments	
Variable rate mortgages payable	-

c. Liquidity risk

Liquidity risk is the risk that Pure Multi will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Pure Multi's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi were required to liquidate the investment properties, the proceeds to Pure Multi might be significantly less than the aggregate carrying value of such property.

Pure Multi's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. In addition, Pure Multi intends to refinance any mortgages which mature within six months.

MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	July 31, 2012 Face value
Oakchase	3.28%	2017	$ 8,940,000
Windscape	3.52%	2019	5,090,000
Valley Ranch	3.51%	2022	13,680,000
Total mortgages principal payable			27,710,000
Unamortized mortgage transaction costs			(412,647)
Total carrying value of mortgages payable			$ 27,297,353

d. Currency risk

Pure Multi is exposed to minimal currency risk since a small portion of the expenses is in Canadian dollars.

e. Environmental risk

Pure Multi, through the US REIT, is subject to various federal, state and municipal laws relating to the environment. On acquisition, Pure Multi conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

11. LEASES

Pure Multi, through the US REIT, has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non–cancellable operating leases is $2,567,510 as at July 31, 2012.

12. RELATED PARTY TRANSACTIONS

Asset Management Agreement

The Managing GP, pursuant to the Asset Management Agreement, will provide asset management, administrative and reporting services to Pure Multi as its managing general partner. The Asset Management Agreement also requires the Managing GP to provide Pure Multi 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 Pure Multi 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 Pure Multi and will not be entitled to any other remuneration or compensation for its services.

Tipton Asset Group, Inc. ("Tipton") is the property manager for Pure Multi. Pure Multi is related to Tipton by virtue of having officers and directors in common. Tipton charged $8,676 in property management fees during the period ended July 31, 2012. All fees were paid during the period and there was no amount outstanding at July 31, 2012.

Initially, the directors of the Governing GP who are not affiliated with or employees of the Managing GP will receive annual compensation in the amount of $12,500, plus $500 for attendance at meetings of the directors or any committee. As well, the Governing GP will indirectly reimburse such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi will reimburse the Governing GP for such amounts. In addition, Pure Multi will obtain insurance coverage for such directors. Compensation will be reviewed on an annual basis, giving consideration to Pure Multi's growth and the extent of its portfolio.

Pure Multi compensates the independent directors of the Governing GP through annual compensation. The amount paid during the period ended July 31, 2012 was $nil.

Voting Agreement

Pure Multi and Sunstone Multi-Family Investments Inc., which owns 100% of the outstanding shares of the Governing GP have entered into a voting agreement (the ''Voting Agreement'') that provides Pure Multi with a number of rights. 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 Pure Multi. For these purposes, Pure Multi may maintain, from time-to-time, an approved slate of nominees or provide direction with respect to the approval or rejection of any matter in the form of general guidelines, policies or procedures in which case no further approval or direction will be required. Any such general guidelines, policies or procedures may be modified by Pure Multi in its discretion.

In addition, pursuant to the Voting Agreement, Sunstone Multi-Family Investments Inc. has also agreed that any voting rights with respect to the Governing GP will be voted in accordance with the direction of the Unitholders of Pure Multi with respect to the approval or rejection of the following matters relating to the Governing GP:

(a) any sale of all or substantially all of its assets,

(b) any merger, amalgamation, consolidation, business combination or other material corporate transaction, except in connection with any internal reorganization that does not result in a change of control,

(c) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or any case, proceeding or action seeking relief under any existing laws or future laws relating to bankruptcy or insolvency,

(d) any amendment to the LP Agreement; or

(e) any commitment or agreement to do any of the foregoing.

In addition, pursuant to the Voting Agreement, Sunstone Multi-Family Investments Inc. has agreed that it will not cause the Governing GP to resign as the Governing GP except with the prior consent of the Unitholders of Pure Multi. The Voting Agreement also contains restrictions on transfers of the shares of the Governing GP, except that Sunstone Multi-Family Investments Inc. may transfer shares of the Governing GP to any of its Affiliates.

13. SUBSEQUENT EVENTS

a) <u>Purchase of Arlington Portfolio</u>

On September 26, 2012, Pure Multi, through the US REIT, acquired the Arlington Portfolio, located in Arlington, Texas, for a purchase price of $24,569,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new ten year mortgage in the amount of $15,970,000.

b) <u>Purchase of Prairie Creek</u>

On October 11, 2012, Pure Multi, through the US REIT, acquired Prairie Creek, located in Richardson, Texas, for a purchase price of $52,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a mortgage assumption in the amount of $32,645,789.

c) <u>Issuance of Units</u>

Pure Multi has entered into an underwriting agreement dated September 25, 2012 whereby it will raise gross proceeds of $25,029,000 (the “Offering”), through the issuance of 4,860,000 Class A units of Pure Multi at a price of $5.15 per unit. Costs relating to the Offering, including an underwriting fee of $1,376,595, are estimated to an aggregate of $1,776,595, excluding any issuance of Class A units pursuant to an over-allotment option granted to the underwriters.

PURE MULTI-FAMILY REIT LP
Pro forma Combined Statement of Operations
(Unaudited)
(Expressed in United States dollars)
Year ended December 31, 2011

	Pure Multi	Initial Portfolio	Arlington Portfolio	Prairie Creek[1]	Subtotal	Pro forma adjustments	Notes	Pro forma consolidated
REVENUES								
Rental	$ -	$ 3,265,722	$ 3,288,609	$ 5,861,357	$ 12,415,688	$ -		$ 12,415,688
RENTAL EXPENSES								
Depreciation	-	-	-	2,380,483	2,380,483	(2,380,483)	3(h)	-
Insurance	-	63,084	65,501	110,924	239,509	-		239,509
Management fees	-	103,594	104,954	97,193	305,741	-		305,741
Property taxes	-	291,097	272,795	723,868	1,287,760	-		1,287,760
Property operating expenses	-	1,573,194	1,260,329	1,539,150	4,372,673	-		4,372,673
	-	2,030,969	1,703,579	4,851,618	8,586,166	(2,380,483)		6,205,683
NET RENTAL INCOME	-	1,234,753	1,585,030	1,009,739	3,829,522	2,380,483		6,210,005
NET FINANCE INCOME (EXPENSES)								
Interest income	-	-	-	4,582	4,582	33,612	3(e)	38,194
Mortgage interest	-	-	(650,545)	(2,052,626)	(2,703,171)	(453,877)	3(d)	(3,157,048)
	-	-	(650,545)	(2,048,044)	(2,698,589)	(420,265)		(3,118,854)
NET OTHER INCOME (EXPENSES)								
General and administrative	-	-	-	(175,705)	(175,705)	(74,295)	3(c)	(250,000)
Fair value adjustment to investment properties	-	1,200,000	1,647,378	-	2,847,378	4,010,669	3(f)	6,858,047
	-	1,200,000	1,647,378	(175,705)	2,671,673	3,936,374		6,608,047
NET INCOME AND COMPREHENSIVE INCOME	$ -	$ 2,434,753	$ 2,581,863	$ (1,214,010)	$ 3,802,606	$ 5,896,592		$ 9,699,198
Basic and diluted net income per Class A unit								$ 0.80

See accompanying notes to pro forma combined statements of operations.

[1]Please refer to note 4 for reconciliation of Prairie Creek statement of operations.

PURE MULTI-FAMILY REIT LP
Pro forma Combined Statement of Operations
(Unaudited)
(Expressed in United States dollars)
Period ended June 30, 2012

	Pure Multi - from date of formation May 8, 2012 to July 31, 2012	Initial Portfolio - Six months ended June 30, 2012	Arlington Portfolio - Six months ended June 30, 2012	Prairie Creek - Six months ended June 30, 2012[1]	Subtotal	Pro forma adjustments	Notes	Pro forma consolidated
REVENUES								
Rental	$ 274,545	$ 1,694,007	$ 1,724,544	$ 3,048,406	$ 6,741,502	$ (274,545)	3(g)	$ 6,466,957
RENTAL EXPENSES								
Depreciation	-	-	-	1,190,242	1,190,242	(1,190,242)	3(h)	-
Insurance	20,407	33,559	34,748	57,500	146,214	(20,407)	3(g)	125,807
Management fees	8,676	53,968	55,158	61,316	179,118	(8,676)	3(g)	170,442
Property taxes	30,220	149,190	139,812	395,759	714,981	(30,220)	3(g)	684,761
Property operating expenses	51,616	684,374	610,629	799,044	2,145,663	(51,616)	3(g)	2,094,047
	110,919	921,091	840,347	2,503,861	4,376,218	(1,301,161)		3,075,057
NET RENTAL INCOME	163,626	772,916	884,197	544,545	2,365,284	1,026,616		3,391,900
NET FINANCE INCOME (EXPENSES)								
Interest income	1,169	-	-	1,453	2,622	18,195	3(e)(g)	20,817
Mortgage interest	(44,918)	-	(319,748)	(1,021,026)	(1,385,692)	(221,315)	3(d)(g)	(1,607,007)
	(43,749)	-	(319,748)	(1,019,573)	(1,383,070)	(203,120)		(1,586,190)
NET OTHER INCOME (EXPENSES)								
Other income	17,168	-	-	-	17,168	(17,168)	3(g)	-
General and administrative	(8,982)	-	-	(114,970)	(123,952)	(1,048)	3(c)(g)	(125,000)
Fair value adjustment to investment properties	(36,831)	80,586	791,607	-	835,362	2,147,500	3(f)(g)	2,982,862
	(28,645)	80,586	791,607	(114,970)	728,578	2,129,284		2,857,862
NET INCOME AND COMPREHENSIVE INCOME	$ 91,232	$ 853,502	$ 1,356,056	$ (589,998)	$ 1,710,792	$ 2,952,780		$ 4,663,572
Basic and diluted net income per Class A unit								$ 0.39

See accompanying notes to pro forma combined statements of operations.

[1]Please refer to note 4 for reconciliation of Prairie Creek statement of operations.

1. BASIS OF PRESENTATION

Pure Multi-Family REIT LP ("Pure Multi") is a limited partnership formed under the *Limited Partnership Act* (Ontario), to invest in multi-family real estate properties in the United States. Pure Multi was formed pursuant to the terms of the Pure Multi-Family REIT LP Agreement, dated May 8, 2012, when $20 of General Partner contribution was made. Pure Multi's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. A copy of the Pure Multi-Family REIT LP Agreement can be obtained from Pure Multi during the period of distribution of the Units and is available on SEDAR at www.sedar.com.

Pure Multi was established, among other things, for the purposes of:

a) acquiring Common Shares and Series A Preferred Shares[(1)] of Pure US Apartments REIT Inc. (the "US REIT");
b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi and making distributions to Unitholders;
c) in connection with the undertaking set out above, reinvesting income and gains of Pure Multi and taking other actions besides the mere protection and preservation of Pure Multi Property.

[(1)]A Series A Preferred Share means one preferred share in the capital of the US REIT having the terms and conditions set out in the bylaws of the US REIT and in the prospectus.

The principal business of Pure Multi will be to issue Units and to acquire and hold Common Shares and Series A Preferred Shares of the US REIT. The US REIT was established, among other things, for the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

These pro forma combined statements of operations have been prepared from the unaudited consolidated financial statements of Pure Multi as at and for the period ended July 31, 2012, the audited combined financial statements of the Arlington Portfolio as at and for the year ended December 31, 2011, the unaudited combined financial statements of the Arlington Portfolio as at and for the six months ended June 30, 2012, the audited combined statement of operations of the Initial Portfolio for the year ended December 31, 2011, the unaudited combined financial statements of operations of the Initial Portfolio for the six months ended June 30, 2012, the audited financial statements of Prairie Creek as at and for the year ended December 31, 2011 and the unaudited financial statements of Prairie Creek as at and for the six months ended June 30, 2012. These financial statements are included by reference or are included elsewhere in the prospectus.

These pro forma combined statements of operations have been prepared in accordance with International Financial Reporting Standards. These pro forma combined statements of operations incorporate the principal accounting policies used to prepare Pure Multi's financial statements.

The pro forma combined statements of operations give effect to the transactions in note 3 as if they had occurred on January 1, 2011 for the year ended December 31, 2011 pro forma combined statements of operations and as if they had occurred on January 1, 2012 for the period ended June 30, 2012 pro forma combined statements of operations.

These pro forma combined statements of operations are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated nor are they necessarily of future operating results or the financial position of Pure Multi.

These pro forma combined statements of operations were authorized for issue by Pure Multi-Family REIT (GP) Inc. (the "General Partner") on October 2, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Investment properties

Investment properties comprise properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Pure Multi defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of income and comprehensive income in the period which they arise.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income and comprehensive income in the period of retirement or disposal.

Gains or losses on the disposal of an investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

B. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from Pure Multi to the lessees are accounted for as finance leases. All current leases of Pure Multi are operating leases.

C. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

D. Finance income (expenses)

Finance income (expenses) consist of interest income and mortgage interest. Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

E. Translation of foreign currency

The functional and reporting currency of Pure Multi is the United States dollar. Pure Multi has some transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the exchange rate in effect on the dates they occur. Realized and unrealized exchange gains and losses are included in earnings.

F. Income taxes

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the “Tax Act”). Each partner of Pure Multi is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of Pure Multi for its fiscal year ending in or on the partner’s taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the “SIFT Measures”) which levy tax on certain trusts and partnerships that are specified investment flow-through entities ("SIFTs") in defined circumstances. Certain distributions attributable to a SIFT’s “non-portfolio earnings” will not be deductible in computing a SIFT’s income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. Management believes that Pure Multi is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that Pure Multi would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate Pure Multi in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If Pure Multi becomes a SIFT it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

Pure Multi’s subsidiary, the US REIT, intends to timely make and maintain an election to be taxed as a U.S. real estate investment trust (“REIT”) under the U.S. Internal Revenue Code (the “Code”) and to take the necessary steps to qualify as a REIT pursuant to the Code. In order for the US REIT to qualify as a REIT, the US REIT must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its shareholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. As a REIT, the US REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to shareholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the reporting period have been met, and accordingly no provision for US federal and state income taxes has been made.

Management intends to operate the US REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the US REIT fails to qualify as a REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates, including any applicable alternative minimum tax. In addition, the US REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the US REIT qualifies for taxation as a REIT, the US REIT may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

3. PRO FORMA ADJUSTMENTS

The pro forma adjustments to the pro forma combined statements of operations have been prepared to account for the impact of the transactions contemplated by the prospectus as described below.

A. Asset acquisitions

(i) Acquisition of the Arlington Portfolio and Prairie Creek

Subsidiaries of Pure Multi indirectly acquired two properties on September 26, 2012; Springmist Apartments and Sunset Point Apartments (the “Arlington Portfolio”) from certain third party co-owners. In addition, Pure Multi, through its subsidiaries, indirectly acquired an additional property on October 11, 2012: Prairie Creek Villas (“Prairie Creek”) from certain third party co-owners.

Pure Multi used proceeds from its initial public offering to acquire the Arlington Portfolio and Prairie Creek. Net assets acquired using the purchase method of accounting based on preliminary allocations are as follows:

Investment properties, inclusive of acquisition costs of $60,000	$	77,129,000
Mortgage reserve funds		1,233,142
Amounts receivable		9,146
Rental deposits		(131,616)
Unearned revenue		(94,652)
Assumed debt on Prairie Creek, net of mortgage transaction costs of $30,000		(32,547,345)
	$	45,597,675
Financed by:		
Mortgage, net of mortgage transaction costs of $198,461	$	15,771,539
Cash		29,826,136
	$	45,597,675

Pure Multi is not acquiring working capital associated with the Arlington Portfolio.

(ii) Debt

Pure Multi will assume a fixed-rate financing of $32,577,345 currently in place on Prairie Creek. The fixed-rate financing bears interest at an interest rate of 6.02% and matures in March 2019.

Pure Multi did not assume any mortgage debt on the Arlington Portfolio. Pure Multi obtained a joint mortgage on the Arlington Portfolio in the amount of $15,970,000 and at an interest rate of 3.54%. As part of obtaining the mortgages, Pure Multi, incurred financing costs of $198,461. The terms of the mortgage are based on a financing arrangement obtained by Pure Multi as follows:

Arlington Portfolio

Mortgage principal in the amount of $15,970,000 and over a term of ten years. The first two years of the term are interest only, with a thirty year amortization period thereafter and with an interest rate of 3.54%.

(iii) Other Liabilities

Other than rental deposits and unearned revenue, there are no liabilities, contingent liabilities or asset retirement obligations, other than standard permitted encumbrances in real estate transactions, that have been recorded or disclosed in the pro forma combined statement of financial position or in these notes. Management of Pure Multi has conducted satisfactory due diligence to determine that there are no liabilities present on the Arlington Portfolio or Prairie Creek including confirmation by Pure Multi that there are no liens, charges, claims, encumbrances or legal notations registered against the Arlington Portfolio, the Initial Portfolio or Prairie Creek, or any material non-compliance with environmental laws or any material remediation requirements at the Arlington Portfolio, the Initial Portfolio or Prairie Creek.

B. Working capital

Pure Multi cash balance at July 31, 2012	$ 34,815,347
Cash cost of Arlington Portfolio and Prairie Creek (note 3(a)(i))	(28,826,136)
Retained for working capital and future acquisitions	$ 5,989,211

C. General and administrative and REIT LP expenses

To reflect Pure Multi's best estimate of administrative expenses, the amount of $250,000 for the year ended December 31, 2011 and $125,000 for the period ended June 30, 2012, is expected to be incurred by Pure Multi in connection with reporting to unitholders, directors' fees, professional fees, Directors' and Officers' insurance, and other expenses and costs of being a public entity.

D. Mortgage interest expense

To reflect the pro forma adjustment to the mortgage interest expense on the mortgages noted above (note 3(a)(ii)) and the amortization of the deferred financing costs, based on the mortgages obtained by Pure Multi and expected to be assumed by Pure Multi.

E. Interest income

To record interest income on the working capital noted above (note 3(b)), less Pure Multi general and administrative costs and mortgage interest costs, after the acquisition of the investment properties. Pure Multi assumes a rate of 0.92%, which is equivalent to the Bank of Canada three month treasury bill as at June 5, 2012.

F. Fair value adjustment to investment properties

To record any fair value adjustments to the Arlington Portfolio, the Initial Portfolio and Prairie Creek during the year ended December 31, 2011 and the period ended June 30, 2012, which are not already included in their respective statements of operations:

	Initial Portfolio	Arlington Portfolio	Prairie Creek	**Total**
For the year ended December 31, 2011	$ (40,000)	$ (29,331)	$ 4,080,000	**$ 4,010,669**
For the six months ended June 30, 2012	(40,000)	(29,331)	2,180,000	**2,110,669**

G. Pure Multi July 2012 transactions

To eliminate transactions that occurred within Pure Multi's statement of operations after June 30, 2012, both in the Initial Portfolio, and corporate and other non-significant acquisition:

	Initial Portfolio	Corporate & other non-significant acquisition	**Total**
Rental revenue	$ (173,936)	$ (100,609)	**$ (274,545)**
Insurance expense	(9,260)	(11,147)	**(20,407)**
Management fee expense	(5,635)	(3,041)	**(8,676)**
Property tax expense	(15,350)	(14,870)	**(30,220)**
Property operating expenses	(32,818)	(18,798)	**(51,616)**
Interest income	-	(1,169)	**(1,169)**
Mortgage interest expense	26,244	18,674	**44,918**
Other income	-	(17,168)	**(17,168)**
General and administrative expense	-	8,982	**8,982**
Fair value adjustment to investment properties	29,331	7,500	**36,831**

H. Depreciation expense

To eliminate depreciation expense as Pure Multi records investment properties at fair value, which is reflected in the fair value adjustment to investment properties line item.

4. PRAIRIE CREEK RECONCILIATION

Reconciliation of Prairie Creek statement of operations for the year ended December 31, 2012, to present in similar format as Pure Multi:

	Prairie Creek for the year ended December 31, 2011	Adjustments	Adjusted Prairie Creek for the year ended December 31, 2011
REVENUES			
Rental[1]	$ -	$ 5,861,357	$ 5,861,357
Market rent[1]	5,898,316	(5,898,316)	-
Loss to lease[1]	(158,880)	158,880	-
	5,739,436	121,921	5,861,357
Vacancy[1]	(180,009)	180,009	-
Employee units[1]	(18,870)	18,870	-
Courtesy officer units[1]	(8,400)	8,400	-
Model and storage units[1]	(14,100)	14,100	-
Bad debt[1]	(8,717)	8,717	-
Rental concessions[1]	(65,681)	65,681	-
	5,443,659	417,698	5,861,357
OTHER INCOME			
Utility reimbursement[1]	172,967	(172,967)	-
Tenant charges and fees[1]	160,176	(16,176)	-
Miscellaneous income[1]	84,555	(84,555)	-
Interest income[2]	4,582	(4,582)	-
	422,280	(422,280)	-
OPERATING EXPENSES			
Depreciation[3]	-	2,380,483	2,380,483
Administrative expenses[4]	119,675	(119,675)	-
Advertising[4]	81,749	(81,749)	-
Payroll and benefits[4]	460,694	(460,694)	-
Repairs and maintenance[4]	173,150	(173,150)	-
Utilities[4]	311,977	(311,977)	-
Insurance[5]	-	110,924	110,924
Management fees	97,193	-	97,193
Taxes and insurance[5]	834,792	(834,792)	-
Property taxes[5]	-	723,868	723,868
Property operating expenses[4][8]	-	1,539,150	1,539,150
	2,079,230	2,772,388	4,851,618
NET RENTAL INCOME	3,786,709	(2,776,970)	1,009,739
NET FINANCE INCOME (EXPENSES)			
Interest income[2]	-	4,582	4,528
Mortgage interest[6][7]	-	(2,052,626)	(2,052,626)
	-	(2,048,044)	(2,048,044)

NET OTHER INCOME (EXPENSES)			
Financing costs and fees[(6)(8)(9)]	(2,207,363)	2,207,363	-
Routine replacement expense[(4)]	(375,785)	375,785	-
Capital expenses[(4)]	(7,990)	7,990	-
Depreciation[(3)]	(2,380,483)	2,380,483	-
Amortization[(7)]	(29,098)	29,098	-
General and administrative[(9)]	-	(175,705)	(175,705)
	(5,000,719)	4,825,014	(175,705)
NET LOSS AND COMPREHENSIVE LOSS	$ (1,214,010)	$ -	$ (1,214,010)

ADJUSTMENTS TO PRAIRIE CREEK STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011:

(1) Amount, of $5,861,357, represents rental revenue income, including recoveries. Pure Multi presents these revenues net of each other, whereas Prairie Creek presented these revenues as separate line items;

(2) Amount, of $4,582, represents interest income earned during the period. Pure Multi presents interest income as finance income, whereas Prairie Creek presented interest income as other income.

(3) Amount, of $2,380,483, represents depreciation expense incurred during the period. Pure Multi presents depreciation expense as an operating expense, whereas Prairie Creek presented depreciation expense as other expenses.

(4) Amount, of $1,539,150, represents property operating expenses incurred during the period. Pure Multi presents property operating expenses as one line item, under the function of expense method, whereas Prairie Creek presented these expenses on an individual items basis.

(5) Amount, of $110,924, represents insurance expense incurred during the period and the amount, of $723,868, represents property taxes incurred during the period. Pure Multi presents insurance expense and property taxes as separate line items, whereas Prairie Creek presented these expenses as one.

(6) Amount, of $2,023,528, represents mortgage interest expense incurred during the period. Pure Multi presents mortgage interest expense as its own line item as a finance expense, whereas Prairie Creek presented this expense net of other expenses within financing costs and fees.

(7) Amount, of $29,098, represents amortization of mortgage transaction costs incurred during the period. Pure Multi presents this expense together with mortgage interest expense as a finance expense, whereas Prairie Creek presented this expense on its own individual basis.

(8) Amount, of $8,130, represents property operating expenses incurred during the period. Pure Multi presents property operating expenses as one line item, under the function of expense method, whereas Prairie Creek presented this expense together with financing costs and fees.

(9) Amount, of $175,705, represents general and administrative expenses incurred during the period. Pure Multi presents general and administrative expenses as one line item, under other expenses, whereas Prairie Creek presented these expenses together with financing costs and fees.

Reconciliation of Prairie Creek statement of operations for the six months ended June 30, 2012, to present in similar format as Pure Multi:

	Prairie Creek for six months ended June 30, 2012	Adjustments	Adjusted Prairie Creek for six months ended June 30, 2012
REVENUES			
Rental[1]	$ -	$ 3,048,406	$ 3,048,406
Market rent[1]	2,951,868	(2,951,868)	-
Gain to lease[1]	59,135	(59,135)	-
	3,011,003	37,403	3,048,406
Vacancy[1]	(115,322)	115,322	-
Employee units[1]	(8,702)	8,702	-
Courtesy officer units[1]	(4,200)	4,200	-
Model and storage units[1]	(7,050)	7,050	-
Bad debt[1]	(6,324)	6,324	-
Rental concessions[1]	(44,100)	44,100	-
	2,825,305	223,101	3,048,406
OTHER INCOME			
Utility reimbursement[1]	100,527	(100,527)	-
Tenant charges and fees[1]	83,586	(83,586)	-
Miscellaneous income[1]	38,988	(38,988)	-
Interest income[2]	1,453	(1,453)	-
	224,554	(224,554)	-
OPERATING EXPENSES			
Depreciation[3]	-	1,190,242	1,190,242
Administrative expenses[4]	44,264	(44,264)	-
Advertising[4]	33,374	(33,374)	-
Payroll and benefits[4]	209,757	(209,757)	-
Repairs and maintenance[4]	73,875	(73,875)	-
Utilities[4]	155,067	(155,067)	-
Insurance[5]	-	57,500	57,500
Management fees	61,316	-	61,316
Taxes and insurance[5]	453,259	(453,259)	-
Property taxes[5]	-	395,759	395,759
Property operating expenses[4][8]	-	799,044	799,044
	1,030,912	1,472,949	2,503,861
NET RENTAL INCOME	2,018,947	(1,474,402)	544,545
NET FINANCE INCOME (EXPENSES)			
Interest income[2]	-	1,453	1,453
Mortgage interest[6][7]	-	(1,021,026)	(1,021,026)
	-	(1,019,573)	(1,019,573)

NET OTHER INCOME (EXPENSES)			
Financing costs and fees(6)(8)(9)	(1,128,803)	1,128,803	-
Routine replacement expense(4)	(275,351)	275,351	-
Depreciation(3)	(1,190,242)	1,190,242	-
Amortization(7)	(14,549)	14,549	-
General and administrative(9)	-	(114,970)	(114,970)
	(2,608,945)	2,493,975	(114,970)
NET LOSS AND COMPREHENSIVE LOSS	$ (589,998)	$ -	$ (589,998)

ADJUSTMENTS TO PRAIRIE CREEK STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012:

(1) Amount, of $3,048,406, represents rental revenue income, including recoveries. Pure Multi presents these revenues net of each other, whereas Prairie Creek presented these revenues as separate line items;

(2) Amount, of $1,453, represents interest income earned during the period. Pure Multi presents interest income as finance income, whereas Prairie Creek presented interest income as other income.

(3) Amount, of $1,190,242, represents depreciation expense incurred during the period. Pure Multi presents depreciation expense as an operating expense, whereas Prairie Creek presented depreciation expense as other expenses.

(4) Amount, of $799,044, represents property operating expenses incurred during the period. Pure Multi presents property operating expenses as one line item, under the function of expense method, whereas Prairie Creek presented these expenses on an individual items basis.

(5) Amount, of $57,500, represents insurance expense incurred during the period and the amount, of $395,759, represents property taxes incurred during the period. Pure Multi presents insurance expense and property taxes as separate line items, whereas Prairie Creek presented these expenses as one.

(6) Amount, of $1,006,477, represents mortgage interest expense incurred during the period. Pure Multi presents mortgage interest expense as its own line item as a finance expense, whereas Prairie Creek presented this expense net of other expenses within financing costs and fees.

(7) Amount, of $14,549, represents amortization of mortgage transaction costs incurred during the period. Pure Multi presents this expense together with mortgage interest expense as a finance expense, whereas Prairie Creek presented this expense on its own individual basis.

(8) Amount, of $7,356, represents property operating expenses incurred during the period. Pure Multi presents property operating expenses as one line item, under the function of expense method, whereas Prairie Creek presented this expense together with financing costs and fees.

(9) Amount, of $114,970, represents general and administrative expenses incurred during the period. Pure Multi presents general and administrative expenses as one line item, under other expenses, whereas Prairie Creek presented these expenses together with financing costs and fees.

PURE MULTI-FAMILY REIT LP
Pro forma Combined Statement of Financial Position
(Unaudited)
(Expressed in United States dollars)
As at July 31, 2012

	Pure Multi as at July 31, 2012	Arlington Portfolio as at June 30, 2012	Prairie Creek as at June 30, 2012(1)	Subtotal	Pro forma adjustments	Notes	Pro forma consolidated as at July 31, 2012
ASSETS							
Non-current assets							
Investment properties	$ 44,558,918	$ 24,700,000	$ 36,884,689	$ 106,143,607	$ 15,544,311	3(c)	$ 121,687,918
Current assets							
Prepaid expenses	82,099	46,174	30,769	159,042	(76,943)	3(a)(i)	82,099
Mortgage reserve fund	1,081,564	164,873	933,142	2,179,579	135,127	3(a)(i)	2,314,706
Deposits	825,500	-	11,000	836,500	(11,000)	3(a)(i)	825,500
Amounts receivable	154,019	9,146	45,940	209,105	(45,940)	3(a)(i)	163,165
Cash held in trust	10,000	-	-	10,000	-		10,000
Cash and cash equivalents	34,815,347	303,501	1,482,229	36,601,077	(31,611,866)	3(b)	4,989,211
	36,968,529	523,694	2,503,080	39,995,303	(31,610,,622)		8,384,681
TOTAL ASSETS	$ 81,527,447	$ 25,223,694	$ 39,387,769	$ 146,138,910	$ (16,066,311)		$ 130,072,599
LIABILITIES							
Non-current liabilities							
Mortgages payable	$ 27,297,353	$ 10,923,460	$ 32,577,345	$ 70,798,158	$ 4,410,644	3(a)(ii)	$ 75,208,802
Current liabilities							
Mortgages payable – current portion	-	248,658	-	248,658	158,777	3(a)(ii)	407,435
Rental deposits	54,561	34,648	96,968	186,177	-		186,177
Unearned revenue	12,041	-	94,652	106,693	-		106,693
Accounts payable and accrued liabilities	706,340	224,213	704,911	248,658	(929,124)	3(a)(i)	706,340
	772,942	507,519	896,531	2,176,992	(770,347)		1,406,645
TOTAL LIABILITIES	28,070,295	11,430,979	33,473,876	72,975,150	3,640,297		76,615,447
PARTNERS' CAPITAL	53,457,152	-	5,913,893	59,371,045	(5,913,893)		53,457,152
NET ASSETS ATTRIBUTABLE TO OWNERS	-	13,792,715	-	13,792,715	(13,792,715)		-
TOTAL LIABILITIES, PARTNERS' CAPITAL AND NET ASSETS ATTRIBUTABLE TO OWNERS	$ 81,527,447	$ 25,223,694	$ 39,387,769	$ 146,138,910	$ (16,066,311)		$ 130,072,599

See accompanying notes to pro forma combined statement of financial position

(1)Please refer to note 4 for reconciliation of Prairie Creek statement of financial position.

1. BASIS OF PRESENTATION

Pure Multi-Family REIT LP ("Pure Multi") is a limited partnership formed under the *Limited Partnership Act* (Ontario), to invest in multi-family real estate properties in the United States. Pure Multi was formed pursuant to the terms of the Pure Multi-Family REIT LP Agreement, dated May 8, 2012, when $20 of General Partner contribution was made. Pure Multi's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. A copy of the Pure Multi-Family REIT LP Agreement can be obtained from Pure Multi during the period of distribution of the Units and is available on SEDAR at www.sedar.com.

Pure Multi was established, among other things, for the purposes of:

a) acquiring Common Shares and Series A Preferred Shares(1) of Pure US Apartments REIT Inc. (the "US REIT");

b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi and making distributions to Unitholders;

c) in connection with the undertaking set out above, reinvesting income and gains of Pure Multi and taking other actions besides the mere protection and preservation of Pure Multi Property.

[(1)]A Series A Preferred Share means one preferred share in the capital of the US REIT having the terms and conditions set out in the bylaws of the US REIT and in the prospectus.

The principal business of Pure Multi will be to issue Units and to acquire and hold Common Shares and Series A Preferred Shares of the US REIT. The US REIT was established, among other things, for the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

The pro forma combined statement of financial position has been prepared from the unaudited consolidated financial statements of Pure Multi as at July 31, 2012, the unaudited combined financial statements of the Arlington Portfolio as at June 30, 2012 and the unaudited financial statements of Prairie Creek as at June 30, 2012. These financial statements are included by reference or are included elsewhere in the prospectus.

The pro forma combined statement of financial position has been prepared in accordance with International Financial Reporting Standards. The pro forma combined statement of financial position incorporates the principal accounting policies used to prepare Pure Multi's financial statements.

The pro forma combined statement of financial position gives effect to the transactions in note 3 as if they had occurred on July 31, 2012.

The pro forma combined statement of financial position are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated nor are they necessarily of future operating results or the financial position of Pure Multi.

The pro forma combined statement of financial position was authorized for issue by Pure Multi-Family REIT (GP) Inc. (the "General Partner") on October 2, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. The basis of the judgment is set out in note 3(L).

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisition. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

B. Investment properties

Investment properties comprise properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Pure Multi defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of income and comprehensive income in the period which they arise.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income and comprehensive income in the period of retirement or disposal.

Gains or losses on the disposal of an investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

C. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from Pure Multi to the lessees are accounted for as finance leases. All current leases of Pure Multi are operating leases.

D. Translation of foreign currency

The functional and reporting currency of Pure Multi is the United States dollar. Pure Multi has some transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the exchange rate in effect on the dates they occur. Realized and unrealized exchange gains and losses are included in earnings.

E. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Pure Multi's designation of such instruments.

Pure Multi classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Cash held in trust	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

F. Fair value

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

G. *Impairment of financial assets*

At each reporting date, Pure Multi assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

H. *Cash and cash equivalents*

Cash consists of cash on hand and cash held at banks.

I. *Income taxes*

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of Pure Multi is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of Pure Multi for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the "SIFT Measures") which levy tax on certain trusts and partnerships that are specified investment flow-through entities ("SIFTs") in defined circumstances. Certain distributions attributable to a SIFT's "non-portfolio earnings" will not be deductible in computing a SIFT's income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. Management believes that Pure Multi is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that Pure Multi would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate Pure Multi in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If Pure Multi becomes a SIFT it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

Pure Multi's subsidiary, the US REIT, intends to timely make and maintain an election to be taxed as a U.S. real estate investment trust ("REIT") under the U.S. Internal Revenue Code (the "Code") and to take the necessary steps to qualify as a REIT pursuant to the Code. In order for the US REIT to qualify as a REIT, the US REIT must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its shareholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. As a REIT, the US REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed to its shareholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the reporting period have been met, and accordingly no provision for US federal and state income taxes has been made.

Management intends to operate the US REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the US REIT fails to qualify as a REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates, including any applicable alternative minimum tax. In addition, the US REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the US REIT qualifies for taxation as a REIT, the US REIT may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

J. Operating segments

Pure Multi currently operates in one business segments, the owning and operating of multifamily apartment properties in the sun-belt area in the United States. The primary format for segment reporting is based on geographical region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the general partners.

K. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Judgments

In the process of applying Pure Multi's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

(i) Deferred income tax

Canadian deferred income taxes are not recognized in Pure Multi's consolidated financial statements on the basis that Pure Multi does not pay any income tax as disclosed in note 2(I).

(ii)Asset acquisitions

The US REIT acquires individual real estate properties. At the time of acquisition, the US REIT considers whether or not the acquisition represents the acquisition of a business. The US REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

b. Estimates

The significant areas of estimation include the following:

(i) Valuation of investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:
The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

L. Provisions

Provisions are recognized by Pure Multi when: i) Pure Multi has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expenses.

(Expressed in United States dollars)

3. PRO FORMA ADJUSTMENTS

The pro forma adjustments to the pro forma combined statement of financial position have been prepared to account for the impact of the transactions contemplated by the prospectus as described below.

A. Asset acquisitions

(i) Acquisition of the Arlington Portfolio and Prairie Creek

Subsidiaries of Pure Multi indirectly acquired two properties on September 26, 2012; Springmist Apartments and Sunset Point Apartments (the “Arlington Portfolio”) from certain third party co-owners. In addition, Pure Multi, through its subsidiaries, indirectly acquired an additional property on October 11, 2012: Prairie Creek Villas (“Prairie Creek”) from certain third party co-owners.

Pure Multi used proceeds from its initial public offering to acquire the Arlington Portfolio and Prairie Creek. Net assets acquired using the purchase method of accounting based on preliminary allocations are as follows:

Investment properties, inclusive of acquisition costs of $60,000	$	77,129,000
Mortgage reserve funds		1,233,142
Amounts receivable		9,146
Rental deposits		(131,616)
Unearned revenue		(94,652)
Assumed debt on Prairie Creek, net of mortgage transaction costs of $30,000		(32,547,345)
	$	45,597,675
Financed by:		
Mortgage, net of mortgage transaction costs of $198,461	$	15,771,539
Cash		29,826,136
	$	45,597,675

Pure Multi is not acquiring working capital associated with the Arlington Portfolio and Prairie Creek.

(ii) Debt

Pure Multi will assume a fixed-rate financing of $32,577,345 currently in place on Prairie Creek. The fixed-rate financing bears interest at an interest rate of 6.02% and matures in March 2019.

Pure Multi did not assume any mortgage debt on the Arlington Portfolio. Pure Multi obtained a joint mortgage on the Arlington Portfolio in the amount of $15,970,000 and at an interest rate of 3.54%. As part of obtaining the mortgages, Pure Multi, incurred financing costs of $198,461. The terms of the mortgage are based on a financing arrangement obtained by Pure Multi as follows:

Arlington Portfolio

Mortgage principal in the amount of $15,970,000 and over a term of ten years. The first two years of the term are interest only, with a thirty year amortization period thereafter and with an interest rate of 3.54%.

(Expressed in United States dollars)

Mortgage payable – Arlington Portfolio note 3(a)(i), net of mortgage transaction costs of $198,461	$	15,771,539
Mortgage payable – Arlington Portfolio, as of June 30, 2012		(10,923,460)
Mortgage payable – Prairie Creek note 3(a)(i), net of mortgage transaction costs of $30,000		32,547,345
Mortgage payable – Prairie Creek, as of June 30, 2012		(32,577,345)
Total		4,818,079
Less: Prairie Creek – mortgage payable, current portion		(407,435)
Pro forma adjustment required	$	4,410,644

Mortgage payable – current portion – Arlington Portfolio note 3(a)(i)	$	-
Mortgage payable – current portion – Arlington Portfolio, as of June 30, 2012		(248,658)
Mortgage payable – current portion – Prairie Creek note 3(a)(i)		407,435
Mortgage payable – current portion – Prairie Creek, as of June 30, 2012		-
Pro forma adjustment required	$	158,777

(iii) Other Liabilities

Other than rental deposits and unearned revenue, there are no liabilities, contingent liabilities or asset retirement obligations, other than standard permitted encumbrances in real estate transactions, that have been recorded or disclosed in the pro forma combined statement of financial position or in these notes. Management of Pure Multi has conducted satisfactory due diligence to determine that there are no liabilities present on the Arlington Portfolio or Prairie Creek including confirmation by Pure Multi that there are no liens, charges, claims, encumbrances or legal notations registered against the Arlington Portfolio or Prairie Creek, or any material non-compliance with environmental laws or any material remediation requirements at the Arlington Portfolio or Prairie Creek.

B. Cash and cash equivalents

Cash cost of Arlington Portfolio and Prairie Creek (note 3(a)(i))	$	(29,826,136)
Arlington Portfolio cash balance at June 30, 2012		(303,501)
Prairie Creek cash balance at June 30, 2012		(1,482,229)
Pro forma adjustment required	$	31,611,866

C. Investment properties

Purchase price of Arlington Portfolio and Prairie Creek (note 3(a)(i)), inclusive of acquisition costs of $60,000	$	77,129,000
Investment property value of Arlington Portfolio at June 30, 2012		(24,700,000)
Investment property value of Prairie Creek at June 30, 2012		(36,884,689)
Pro forma adjustment required	$	15,544,311

(Expressed in United States dollars)

4. PRAIRIE CREEK RECONCILIATION

Reconciliation of Prairie Creek statement of financial position as at June 30, 2012, to present in similar format as Pure Multi:

	Prairie Creek	Adjustments	Adjusted Total
ASSETS			
Non-current assets			
Investment properties	$ 36,884,689	$ -	$ 36,884,689
Other assets[(1)]	199,309	(199,309)	-
	37,083,998	(199,309)	36,884,689
Current assets			
Prepaid expenses	30,769	-	30,769
Mortgage reserve fund[(2)]	-	933,142	933,142
Escrow deposit[(2)]	933,142	(933,142)	-
Deposits	11,000	-	11,000
Receivables	45,940	-	45,940
Cash and cash equivalents	1,482,229	-	1,482,229
	2,503,080	-	2,503,080
TOTAL ASSETS	$ 39,587,078	$ (199,309)	$ 39,387,769
LIABILITIES			
Non-current liabilities			
Mortgages payable[(1)]	$ 32,776,654	$ (199,309)	$ 32,577,345
Current liabilities			
Rental deposits	96,968	-	96,968
Unearned revenue	94,652	-	94,652
Accounts payable and accrued liabilities	704,911	-	704,911
	896,531	-	896,531
TOTAL LIABILITIES	33,673,185	(199,309)	33,473,876
PARTNERS' CAPITAL	5,913,893	-	5,913,893
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 39,587,078	$ (199,309)	$ 39,387,769

ADJUSTMENTS TO PRAIRIE CREEK STATEMENT OF FINANCIAL POSITION:

(1) Amount, of $199,309, represents mortgage transactions costs. Pure Multi presents these costs net of mortgages payable, whereas Prairie Creek presented these costs as an asset; and

(2) Amount, of $933,142, represents funds held by the mortgage lender. Pure Multi presents these costs as mortgage reserve funds, whereas Prairie Creek presented these costs as escrow deposits.

INDEPENDENT AUDITORS' REPORT

To the Directors of Pure Multi-Family REIT (GP) Inc.

We have audited the accompanying combined financial statements of the Arlington Portfolio, which comprise the combined statement of financial position as at December 31, 2011, the combined statements of income and comprehensive income, cash flows and changes in net assets attributable to owners for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of the Arlington Portfolio as at December 31, 2011 and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards.

"*KMPG LLP*"

Chartered Accountants

October 11, 2012
Vancouver, Canada

Expressed in United States dollars

	December 31, 2011 (audited)	December 31, 2010 (unaudited)
ASSETS		
Non-current assets		
Investment properties (note 4)	**$ 23,800,000**	$ 22,000,000
Current assets		
Prepaid expenses	**10,909**	10,023
Mortgage reserve fund (note 5)	**319,303**	336,790
Amounts receivable	**5,118**	7,512
Cash	**251,823**	309,077
	587,153	663,402
TOTAL ASSETS	**$ 24,387,153**	$ 22,663,402
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 6)	**$ 11,034,383**	$ 11,243,027
Current liabilities		
Mortgages payable - current portion (note 6)	**240,432**	229,493
Rental deposits	**30,138**	29,685
Accounts payable and accrued liabilities	**355,539**	411,397
	626,109	670,575
TOTAL LIABILITIES	**11,660,492**	11,913,602
NET ASSETS ATTRIBUTABLE TO OWNERS	**12,726,661**	10,749,800
TOTAL LIABILITIES AND NET ASSETS ATTRIBUTABLE TO OWNERS	**$ 24,387,153**	$ 22,663,402

The accompanying notes are an integral part of these combined financial statements

Expressed in United States dollars

	Total (audited)
Balance, January 1, 2011	$ 10,749,800
Distributions	(605,002)
Net income for the year	2,581,863
Balance, December 31, 2011	**$ 12,726,661**

	Total (unaudited)
Balance, January 1, 2010	$ 6,840,254
Distributions	(245,002)
Net income for the year	4,154,548
Balance, December 31, 2010	**$ 10,749,800**

Expressed in United States dollars

	Year ended December 31, 2011 (audited)	Year ended December 31, 2010 (unaudited)
REVENUES	**$ 3,288,609**	$ 3,153,782
RENTAL EXPENSES		
Insurance	**65,501**	61,138
Property management	**104,954**	100,591
Property taxes	**272,795**	327,316
Property operating expenses	**1,260,328**	1,259,745
	1,703,578	1,748,790
NET RENTAL INCOME	**1,585,031**	1,404,992
NET FINANCE EXPENSES		
Mortgage interest	**(650,545)**	(662,618)
NET OTHER INCOME		
Fair value adjustments to investment properties (note 4)	**1,647,377**	3,412,174
NET INCOME AND COMPREHENSIVE INCOME	**$ 2,581,863**	$ 4,154,548

The accompanying notes are an integral part of these combined financial statements

Expressed in United States dollars

	Year ended December 31, 2011 (audited)	Year ended December 31, 2010 (unaudited)
Cash provided by (used in)		
OPERATIONS		
Net income	**$ 2,581,863**	$ 4,154,548
Items not involving cash:		
Amortization of mortgage transaction costs	**31,788**	31,788
Fair value adjustments to investment properties (note 4)	**(1,647,377)**	(3,412,174)
Mortgage interest	**618,757**	630,830
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	**2,394**	(1,656)
Decrease (increase) in prepaid expenses	**(886)**	12,323
Decrease in accounts payable and accrued liabilities	**(54,807)**	(30,447)
Increase (decrease) in rental deposits	**453**	(8,944)
	1,532,185	1,376,268
INVESTING		
Capital additions to investment properties	**(152,623)**	(287,826)
FINANCING		
Distributions paid to owners	**(605,002)**	(245,002)
Mortgage interest paid	**(619,808)**	(631,826)
Mortgage reserve fund	**17,487**	75,565
Repayment of mortgages	**(229,493)**	(217,475)
	(1,436,816)	(1,018,738)
Net change in cash	**(57,254)**	69,704
Cash, beginning of period	**309,077**	239,373
CASH, END OF YEAR	**$ 251,823**	$ 309,077

The accompanying notes are an integral part of these combined financial statements

1. OPERATIONS

These combined financial statements present the financial position, results of operations and cash flows of the two investment properties (collectively these properties are known as the "Arlington Portfolio"). The Arlington Portfolio as presented in these combined financial statements is not a legal entity. The two investment properties, are to be acquired by Pure Multi-Family REIT LP ("Pure-Multi") upon completion of a public offering of units by Pure-Multi.

The investment properties comprising the Arlington Portfolio are as follows:

	Sq. Ft
Springmist	134,688
Sunset Point	172,736

These combined financial statements include the assets, liabilities, revenue and expenses of each property in the Arlington Portfolio for the years ended December 31, 2011 and 2010.

2. BASIS OF PRESENTATION

a. Basis of presentation

These combined financial statements present the financial position, results of operations and cash flows of the Arlington Portfolio had the properties been accounted for on a stand-alone basis and include the assets, liabilities, revenue and expenses relating to the properties. Management has extracted the information used to prepare these combined financial statements from the financial reporting systems of the vendors of the properties.

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Due to the inherent limitations of carving out activities from larger entities, these combined financial statements are not necessarily indicative of the results that would have been attained if the Arlington Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

The combined financial statements were approved and authorized for issue by the General Partner Pure Multi-Family REIT (GP) Inc. on September 25, 2012.

b. Basis of measurement

These combined financial statements have been prepared on a going concern basis and on a historical cost basis, except for investment properties which have been measured at fair value.

c. Functional and presentation currency

These combined statements of operations are presented in United States dollars, which is the Arlington Portfolio's functional currency.

d. Presentation of financial statements

The Arlington Portfolio uses a classified statement of financial position. The combined statements of financial position distinguish between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. The Arlington Portfolio classifies the statements of income and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been applied consistently to all periods presented.

A. Basis of consolidation

The combined financial statements comprise the statements of financial position, results of operations, and cash flows of the Arlington Portfolio as described in note 1.

B. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Arlington Portfolio to the lessees are accounted for as finance leases. All current leases of the Arlington Portfolio are operating leases.

C. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

D. Investment properties

Investment properties comprise property held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Fair value is defined as the value a third party is willing to pay for an investment property in an arm’s length transaction. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of operations in the year in which they arise.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of operations in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

E. Finance expenses

Finance expenses consist of mortgage interest. Finance expenses are recognized in the period in which they are incurred.

F. Operating segments

The Arlington Portfolio comprises one business segment, operating two multifamily apartment properties located in the state of Texas.

G. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Arlington Portfolio's designation of such instruments.

The Arlington Portfolio classifies its financial instruments as follows:

Cash	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

H. Impairment of financial assets

At each reporting date, the Arlington Portfolio assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

I. Income taxes

The Arlington Portfolio is not subject to income taxes as it is not a legal entity. The income or loss of the Arlington Portfolio will be allocated to the individual owners for taxation purposes.

J. Fair value

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

K. Cash

Cash consists of cash on hand and cash held at banks.

L. Significant accounting estimates

Estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Investment Properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

M. Future accounting policy changes

a. Financial instruments: classification and measurement

In November 2009, as part of the IASB's project to replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, *Financial Instruments*, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

b. Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. This new standard replaces IAS 31, *Interests in Joint Ventures*. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures and will be effective for the Arlington Portfolio's year end beginning January 1, 2015. As the Arlington Portfolio does not have any joint arrangements this standard will not have an impact on the combined financial statements.

c. Consolidated financial statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*. This new standard replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 10 is not expected to have a significant impact on the Arlington Portfolio's combined financial statements.

d. Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. This new standard includes disclosure requirements about subsidiaries, joint ventures and associates. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interests that non-controlling interests have in the combined entities and the nature and risks associated with interests in other entities. IAS 28, *Investments in Associates*, has been amended and will set the requirements for the application of the equity method when accounting for investments in associates. This standard will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 12 is not expected to have a significant impact on the Arlington Portfolio's combined financial statements.

Expressed in United States dollars

e. Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This new standard establishes a single source of guidance for fair value measurements when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. This standard will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. This standard will not have an impact on the combined statements of operations.

4. INVESTMENT PROPERTIES

		2011
Balance, at January 1, 2011	$	22,000,000
Capital additions		152,623
Change in fair value of investment properties		1,647,377
Balance, December 31, 2011	$	23,800,000

		2010
Balance, at January 1, 2010	$	18,300,000
Capital additions		287,826
Change in fair value of investment properties		3,412,174
Balance, December 31, 2010	$	22,000,000

The investment properties are pledged as security against the mortgages payable.

The fair value of the investment properties has been determined on a market value basis. As set out in note 3, in arriving at their estimates of market values, management and the independent appraisers have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

The appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

The Arlington Portfolio does not obtain appraisals for each property at each reporting date. Where the Arlington Portfolio does not obtain an appraisal for a specific investment property at the reporting date, management reviews specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

Expressed in United States dollars

The significant assumptions made relating to the valuations are set out below:

	December 31, 2011	
	Weighted average	Range
Capitalization rate	6.75%	6.75%

	December 31, 2010	
	Weighted average	Range
Capitalization rate	7.00%	7.00%

5. MORTGAGE RESERVE FUND

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for certain costs. These funds will be released to pay the respective obligations. The term of the mortgage reserve fund is within 12 months.

6. MORTGAGES PAYABLE

The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 5.32% as at December 31, 2011 (December 31, 2010 – 5.32%).

The mortgages payable are secured by charges on the Arlington Portfolio's investment properties.

The amount of mortgages payable on December 31, 2011 was $11,274,815 (December 31, 2010 - $11,472,520). Included in mortgages payable are the related unamortized mortgage transaction costs of $97,642 as at December 31, 2011 (December 31, 2010 - $129,430), which are amortized over the terms of the mortgages, using the effective interest rate method.

Principal repayments, as of December 31, 2011, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2012	$	240,310
2013		255,455
2014		10,876,692
2015		-
2016		-
Thereafter		-
	$	11,372,457

Expressed in United States dollars

7. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of the Arlington Portfolio's financial instruments, including cash, amounts receivable, mortgage reserve fund, and accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the short-term nature of these instruments. The fair value of the mortgages was measured under Level 2 of the fair value hierarchy.

The fair values of the mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market.

The following table presents the carrying amounts and fair values of the Arlington Portfolio's financial instruments:

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	$ 11,274,815	$ 11,372,457	$ 11,472,520	$ 11,601,950
Accounts payable and accrued liabilities	355,539	355,539	411,397	411,397
Mortgage reserve fund	319,303	319,303	336,790	336,790
Amounts receivable	5,118	5,118	7,512	7,512
Cash	251,823	251,823	309,077	309,077

Financial risk management

The owners of the Arlington Portfolio have the overall responsibility for the establishment and oversight of the Arlington Portfolio's risk management framework. The Arlington Portfolio's risk management policies are established to identify and analyze the risks faced by the Arlington Portfolio, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Arlington Portfolio's activities.

In the normal course of business, the Arlington Portfolio is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to the Arlington Portfolio if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Arlington Portfolio's receivables from tenants and customers.

The Arlington Portfolio's exposure to credit risk is influenced mainly by the individual characteristics of each tenant and customer. The Arlington Portfolio minimizes the risk by requesting security deposits and initiating a prompt collection process.

Expressed in United States dollars

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Arlington Portfolio is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Arlington Portfolio manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. The Arlington Portfolio tries to secure fixed interest rate mortgages where available. Therefore, the Arlington Portfolio is not exposed to significant interest rate risk.

The interest rate profile of the Arlington Portfolio's interest-bearing financial instruments was:

	Face Value	
	December 31, 2011	December 31, 2010
Fixed rate instruments		
Fixed rate mortgages payable	$ 11,372,457	$ 11,601,950
Variable rate instruments		
Variable rate mortgages payable	-	-

c. Liquidity risk

Liquidity risk is the risk that the Arlington Portfolio will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Arlington Portfolio's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Arlington Portfolio were required to liquidate its investment properties, the proceeds to the Arlington Portfolio might be significantly less than the aggregate carrying value of such property.

The Arlington Portfolio's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due.

			December 31, 2011	December 31, 2010
MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	Face value	Face Value
Springmist	5.32%	2014	$ 4,682,087	$ 4,775,748
Sunset Point	5.32%	2014	6,690,370	6,826,202
Total mortgages principal payable			11,372,457	11,601,950
Unamortized mortgage transaction costs			(97,642)	(129,430)
Total carrying value of mortgages payable			$ 11,274,815	$ 11,472,520

d. Currency risk

The Arlington Portfolio is not exposed to any currency risk since all of its transactions are completed in United States dollars.

e. Environmental risk

The Arlington Portfolio is subject to various federal, state and municipal laws relating to the environment. When required, the Arlington Portfolio conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

8. LEASES

The Arlington Portfolio has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non-cancellable operating leases is $1,140,208 as at December 31, 2011 (December 31, 2010 - $1,165,345).

9. RELATED PARTY TRANSACTIONS

Terry Holden is the Secretary and Treasurer of the general partner of the Arlington Portfolio. Terry Holden is related to the Arlington Portfolio by ways of an ownership interest in the portfolio. Terry Holden was paid $66,587 in property consulting fees during the year ended December 31, 2011 (year ended December 31, 2010 - $61,887).

10. SUBSEQUENT EVENTS

There were no subsequent events when this report was prepared.

Expressed in United States dollars

	June 30, 2012	December 31, 2011
ASSETS		
Non-current assets		
Investment properties (note 4)	**$ 24,700,000**	$ 23,800,000
Current assets		
Prepaid expenses	**46,174**	10,909
Mortgage reserve fund (note 5)	**164,873**	319,303
Amounts receivable	**9,146**	5,118
Cash	**303,501**	251,823
	523,694	587,153
TOTAL ASSETS	**$ 25,223,694**	$ 24,387,153
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 6)	**$ 10,923,460**	$ 11,034,383
Current liabilities		
Mortgages payable - current portion (note 6)	**248,657**	240,432
Rental deposits	**34,648**	30,138
Accounts payable and accrued liabilities	**224,214**	355,539
	507,519	626,109
TOTAL LIABILITIES	**11,430,979**	11,660,492
NET ASSETS ATTRIBUTABLE TO OWNERS	**13,792,715**	12,726,661
TOTAL LIABILITIES AND NET ASSETS ATTRIBUTABLE TO OWNERS	**$ 25,223,694**	$ 24,387,153

The accompanying notes are an integral part of these combined financial statements

Expressed in United States dollars

	Total
Balance, January 1, 2012	$ 12,726,661
Distributions	(290,002)
Net income for the period	1,356,056
Balance, June 30, 2012	**$ 13,792,715**

	Total
Balance, January 1, 2011	$ 10,749,800
Distributions	(315,000)
Net income for the period	463,907
Balance, June 30, 2011	**$ 10,898,707**

The accompanying notes are an integral part of these combined financial statements

Expressed in United States dollars

	Six months ended June 30		Three months ended June 30	
	2012	2011	**2012**	2011
REVENUES	**$ 1,724,544**	$ 1,627,794	**$ 871,895**	$ 816,540
RENTAL EXPENSES				
Insurance	**34,748**	32,676	**17,315**	17,199
Property management	**55,158**	51,988	**27,886**	26,057
Property taxes	**139,812**	167,754	**69,906**	83,877
Property operating expenses	**610,629**	587,194	**329,095**	311,567
	840,347	839,612	**444,202**	438,700
NET RENTAL INCOME	**884,197**	788,182	**427,693**	377,840
NET FINANCE EXPENSES				
Mortgage interest	**(319,748)**	(324,275)	**(159,469)**	(162,600)
NET OTHER INCOME				
Fair value adjustments to investment properties (note 4)	**791,607**	-	**791,607**	(1,250)
NET INCOME AND COMPREHENSIVE INCOME	**$ 1,356,056**	$ 463,907	**$ 1,059,831**	$ 215,240

The accompanying notes are an integral part of these combined financial statements

Arlington Portfolio
Combined Statements of Cash Flows
Expressed in United States dollars
Unaudited

	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash provided by (used in)		
OPERATIONS		
Net income	**$ 1,356,056**	$ 463,907
Items not involving cash:		
Amortization of mortgage transaction costs	**15,894**	15,894
Fair value adjustments to investment properties (note 4)	**(791,607)**	-
Mortgage interest	**303,854**	308,381
Changes in non-cash working capital items:		
Increase in amounts receivable	**(4,028)**	(14,753)
Increase in prepaid expenses	**(35,265)**	(33,614)
Decrease in accounts payable and accrued liabilities	**(129,120)**	(167,592)
Increase in rental deposits	**4,510**	3,962
	720,294	576,184
INVESTING		
Capital additions to investment properties	**(108,393)**	(74,126)
FINANCING		
Distributions paid to owners	**(290,002)**	(315,000)
Mortgage interest paid	**(306,059)**	(310,599)
Mortgage reserve fund	**154,430**	205,130
Repayment of mortgages	**(118,592)**	(114,051)
	(560,223)	(534,521)
Net change in cash	**51,678**	(32,462)
Cash, beginning of period	**251,823**	309,077
CASH, END OF PERIOD	**$ 303,501**	$ 276,615

The accompanying notes are an integral part of these combined financial statements

1. OPERATIONS

These combined financial statements present the financial position, results of operations and cash flows of the two investment properties (collectively these properties are known as the "Arlington Portfolio"). The Arlington Portfolio as presented in these combined financial statements is not a legal entity. The two investment properties, are to be acquired by Pure Multi-Family REIT LP ("Pure-Multi") upon completion of a public offering of units by Pure-Multi.

The investment properties comprising the Arlington Portfolio are as follows:

	Sq. Ft
Springmist	134,688
Sunset Point	172,736

These combined financial statements include the assets and liabilities of each property in the Arlington Portfolio as at June 30, 2012 and December 31, 2011, and the revenue and expenses of each property in the Arlington Portfolio for the six months ended June 30, 2012 and 2011.

2. BASIS OF PRESENTATION

a. *Basis of presentation*

These combined financial statements present the financial position, results of operations and cash flows of the Arlington Portfolio had the properties been accounted for on a stand-alone basis and include the assets, liabilities, revenue and expenses relating to the properties. Management has extracted the information used to prepare these combined financial statements from the financial reporting systems of the vendors of the properties.

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Due to the inherent limitations of carving out activities from larger entities, these combined financial statements are not necessarily indicative of the results that would have been attained if the Arlington Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

The combined financial statements were approved and authorized for issue by the General Partner Pure Multi-Family REIT (GP) Inc. on September 25, 2012.

b. *Basis of measurement*

These combined financial statements have been prepared on a going concern basis and on a historical cost basis, except for investment properties which have been measured at fair value.

c. *Functional and presentation currency*

These combined statements of operations are presented in United States dollars, which is the Arlington Portfolio's functional currency.

d. Presentation of financial statements

The Arlington Portfolio uses a classified statement of financial position. The combined statements of financial position distinguish between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. The Arlington Portfolio classifies the statements of income and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been applied consistently to all periods presented.

A. Basis of consolidation

The combined financial statements comprise the statements of financial position, results of operations, and cash flows of the Arlington Portfolio as described in note 1.

B. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Arlington Portfolio to the lessees are accounted for as finance leases. All current leases of the Arlington Portfolio are operating leases.

C. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

D. Investment properties

Investment properties comprise property held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Fair value is defined as the value a third party is willing to pay for an investment property in an arm’s length transaction. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of operations in the year in which they arise.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of operations in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

E. Finance expenses

Finance expenses consist of mortgage interest. Finance expenses are recognized in the period in which they are incurred.

F. Operating segments

The Arlington Portfolio comprises one business segment, operating two multifamily apartment properties located in the state of Texas.

G. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Arlington Portfolio's designation of such instruments.

The Arlington Portfolio classifies its financial instruments as follows:

Cash	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

H. Impairment of financial assets

At each reporting date, the Arlington Portfolio assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

I. Income taxes

The Arlington Portfolio is not subject to income taxes as it is not a legal entity. The income or loss of the Arlington Portfolio will be allocated to the individual owners for taxation purposes.

J. Fair value

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

K. Cash

Cash consists of cash on hand and cash held at banks.

L. Significant accounting estimates

Estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Investment Properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

M. Future accounting policy changes

a. Financial instruments: classification and measurement

In November 2009, as part of the IASB's project to replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, *Financial Instruments*, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

b. Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. This new standard replaces IAS 31, *Interests in Joint Ventures*. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures and will be effective for the Arlington Portfolio's year end beginning January 1, 2015. As the Arlington Portfolio does not have any joint arrangements this standard will not have an impact on the combined financial statements.

c. Consolidated financial statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*. This new standard replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 10 is not expected to have a significant impact on the Arlington Portfolio's combined financial statements.

d. Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. This new standard includes disclosure requirements about subsidiaries, joint ventures and associates. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interests that non-controlling interests have in the combined entities and the nature and risks associated with interests in other entities. IAS 28, *Investments in Associates*, has been amended and will set the requirements for the application of the equity method when accounting for investments in associates. This standard will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 12 is not expected to have a significant impact on the Arlington Portfolio's combined financial statements.

Expressed in United States dollars

e. Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This new standard establishes a single source of guidance for fair value measurements when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. This standard will be effective for the Arlington Portfolio's year end beginning January 1, 2013, with early adoption permitted. This standard will not have an impact on the combined statements of operations.

4. INVESTMENT PROPERTIES

		2012
Balance, at January 1, 2012	$	23,800,000
Capital additions		108,393
Change in fair value of investment properties		791,607
Balance, June 30, 2012	$	24,700,000

		2011
Balance, at January 1, 2011	$	22,000,000
Capital additions		152,623
Change in fair value of investment properties		1,647,377
Balance, December 31, 2011	$	23,800,000

The investment properties are pledged as security against the mortgages payable.

The fair value of the investment properties has been determined on a market value basis. As set out in note 3, in arriving at their estimates of market values, management and the independent appraisers have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

The appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

The Arlington Portfolio does not obtain appraisals for each property at each reporting date. Where the Arlington Portfolio does not obtain an appraisal for a specific investment property at the reporting date, management reviews specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

Expressed in United States dollars

The significant assumptions made relating to the valuations are set out below:

	June 30, 2012	
	Weighted average	Range
Capitalization rate	6.75%	6.75%

	December 31, 2011	
	Weighted average	Range
Capitalization rate	6.75%	6.75%

5. MORTGAGE RESERVE FUND

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for certain costs. These funds will be released to pay the respective obligations. The term of the mortgage reserve fund is within 12 months.

6. MORTGAGES PAYABLE

The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 5.32% as at June 30, 2012 (December 31, 2011 – 5.32%).

The mortgages payable are secured by charges on the Arlington Portfolio's investment properties.

The amount of mortgages payable on December 31, 2011 was $11,172,117 (December 31, 2011 - $11,274,815). Included in mortgages payable are the related unamortized mortgage transaction costs of $81,748 as at June 30, 2012 (December 31, 2011 - $97,642), which are amortized over the terms of the mortgages, using the effective interest rate method.

Principal repayments, as of June 30, 2012, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2012 remaining	$	121,718
2013		255,455
2014		10,876,692
2015		-
2016		-
Thereafter		-
	$	11,253,865

Expressed in United States dollars

7. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of the Arlington Portfolio's financial instruments, including cash, amounts receivable, mortgage reserve fund, and accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the short-term nature of these instruments. The fair value of the mortgages was measured under Level 2 of the fair value hierarchy.

The fair values of the mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market.

The following table presents the carrying amounts and fair values of the Arlington Portfolio's financial instruments:

	June 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	$ 11,172,117	$ 11,253,865	$ 11,274,815	$ 11,372,457
Accounts payable and accrued liabilities	224,213	224,213	355,539	355,539
Mortgage reserve fund	164,873	164,873	319,303	319,303
Amounts receivable	9,146	9,146	5,118	5,118
Cash	303,501	303,501	251,823	251,823

Financial risk management

The owners of the Arlington Portfolio have the overall responsibility for the establishment and oversight of the Arlington Portfolio's risk management framework. The Arlington Portfolio's risk management policies are established to identify and analyze the risks faced by the Arlington Portfolio, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Arlington Portfolio's activities.

In the normal course of business, the Arlington Portfolio is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to the Arlington Portfolio if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Arlington Portfolio's receivables from tenants and customers.

The Arlington Portfolio's exposure to credit risk is influenced mainly by the individual characteristics of each tenant and customer. The Arlington Portfolio minimizes the risk by requesting security deposits and initiating a prompt collection process.

Expressed in United States dollars

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Arlington Portfolio is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Arlington Portfolio manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. The Arlington Portfolio tries to secure fixed interest rate mortgages where available. Therefore, the Arlington Portfolio is not exposed to significant interest rate risk.

The interest rate profile of the Arlington Portfolio's interest-bearing financial instruments was:

	Face Value	
	June 30, 2012	December 31, 2011
Fixed rate instruments		
Fixed rate mortgages payable	$ 11,253,865	$ 11,372,457
Variable rate instruments		
Variable rate mortgages payable	-	-

c. Liquidity risk

Liquidity risk is the risk that the Arlington Portfolio will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Arlington Portfolio's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Arlington Portfolio were required to liquidate its investment properties, the proceeds to the Arlington Portfolio might be significantly less than the aggregate carrying value of such property.

The Arlington Portfolio's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due.

MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	June 30, 2012 Face value	December 31, 2011 Face Value
Springmist	5.32%	2014	$ 4,633,688	$ 4,682,087
Sunset Point	5.32%	2014	6,662,177	6,690,370
Total mortgages principal payable			11,253,865	11,372,457
Unamortized mortgage transaction costs			(81,748)	(97,642)
Total carrying value of mortgages payable			$ 11,172,117	$ 11,274,815

d. Currency risk

The Arlington Portfolio is not exposed to any currency risk since all of its transactions are completed in United States dollars.

e. Environmental risk

The Arlington Portfolio is subject to various federal, state and municipal laws relating to the environment. When required, the Arlington Portfolio conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

8. LEASES

The Arlington Portfolio has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non-cancellable operating leases is $1,131,188 as at June 30, 2012 (December 31, 2011 - $1,140,208).

9. RELATED PARTY TRANSACTIONS

Terry Holden is the Secretary and Treasurer of the general partner of the Arlington Portfolio. Terry Holden is related to the Arlington Portfolio by ways of an ownership interest in the portfolio. Terry Holden was paid $33,943 in property consulting fees during the six months ended June 30, 2012 (six months ended June 30, 2011 - $31,993).

10. SUBSEQUENT EVENTS

There were no subsequent events when this report was prepared.

INITIAL PORTFOLIO
Interim Combined Statements of Operations
(Unaudited)

	Six months ended June 30, 2012	Six months ended June 30, 2011
REVENUES		
Rental	**$ 1,694,007**	$ 1,600,938
RENTAL EXPENSES		
Insurance	**33,559**	31,485
Property management fees	**53,968**	50,758
Property taxes	**149,190**	155,364
Property operating expenses	**684,374**	665,797
	921,091	903,404
OPERATING INCOME FROM PROPERTIES	**772,916**	697,534
Fair value adjustments to investment properties (note 4)	**80,586**	-
INCOME FROM PROPERTIES	**$ 853,502**	$ 697,534

1. OPERATIONS

These interim combined statements of operations present the financial performance of the two investment properties (collectively these properties are known as the “Initial Portfolio”). The Initial Portfolio as presented in these combined statements of operations is not a legal entity. The two investment properties, are to be acquired by Pure Multi-Family REIT LP (the “Pure Multi”) upon completion of an initial public offering of units by the Pure Multi.

The properties comprising the Initial Portfolio are as follows:

	Sq. Ft
Windscape Apartment Homes	118,976
Oakchase Apartments	181,372

These interim combined statements of operations include the accounts of the operations of each property in the Initial Portfolio for the six months ended June 30, 2012 and 2011.

2. BASIS OF PRESENTATION

a. Basis of presentation

These interim combined statements of operations present the financial performance of the Initial Portfolio had the properties been accounted for on a stand-alone basis and include the revenue and expenses relating to the properties, except as noted in the following paragraph, that are expected to be included in Pure Multi. Management of the Managing GP on behalf of Pure Multi has extracted the information used to prepare these interim combined statements of operations from the financial reporting systems of the vendors of the properties.

The interim combined statements of operations are prepared in accordance with the significant accounting policies in note 3 which are consistent with the recognition and measurement principles of IFRS. These combined statements of operations do not comprise a complete set of statements of operations under IFRS nor not meet all of the disclosure principles of IFRS. The interim combined statements of operations do not include all significant recognition and measurement requirements of IFRS because the interim combined statements of operations present only the operating results of the properties and do not include certain items attributable to the property owners such as financing costs and income taxes. Other corporate costs of the vendors of the property have not been allocated to these interim combined statements of operations.

The interim combined statements of operations were approved and authorized for issue by the General Partner, Pure Multi-Family REIT (GP) Inc. on September 25, 2012.

b. Basis of measurement

These interim combined statements of operations have been prepared on a going concern basis.

c. Functional and presentation currency

These interim combined statements of operations are presented in United States dollars, which is the Initial Portfolio’s functional currency.

d. Presentation of statements of operations

The Initial Portfolio classifies the statements of operations using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these interim combined statements of operations are set out below. These policies have been applied consistently to all periods presented.

A. Basis of combination

The interim combined statements of operations comprise the statements of operations of the Initial Portfolio as described in note 1.

B. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Initial Portfolio to the lessees are accounted for as finance leases. All current leases of the Initial Portfolio are operating leases.

C. Revenue recognition

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

D. Investment properties

Investment properties comprise property held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value. Fair value is defined as the value a third party is willing to pay for an investment property in an arm’s length transaction. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of operations in the year in which they arise.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of operations in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

E. *Operating segments*

The Initial Portfolio comprises one business segment, operating two multifamily apartment properties located in the state of Texas.

F. *Significant accounting estimates*

Estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. *Investment Properties*

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

b. *Critical Accounting Estimates and Assumptions*

The preparation of the interim combined statements of operations requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting periods. In determining estimates of fair market value for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of investment are outlined in note 4.

G. Future accounting policy changes

a. Financial instruments: classification and measurement

In November 2009, as part of the IASB's project to replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement,* the IASB issued the first phase of IFRS 9, *Financial Instruments*, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. As the Initial Portfolio does not have any financial instruments this standard will not have an impact on the combined statements of operations.

b. Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. This new standard replaces IAS 31, *Interests in Joint Ventures*. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures and will be effective for the Initial Portfolio's year end beginning January 1, 2015. As the Initial Portfolio does not have any joint arrangements this standard will not have an impact on the combined statements of operations.

c. Consolidated statements of operations

In May 2011, the IASB issued IFRS 10, *Consolidated Statements of operations*. This new standard replaces IAS 27, *Consolidated and Separate Statements of operations,* and SIC 12, *Consolidation – Special Purpose Entities*. The new standard establishes principles for the presentation and preparation of consolidated statements of operations when an entity controls one or more other entities and will be effective for the Initial Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 10 is not expected to have a significant impact on the Initial Portfolio's combined statements of operations.

d. Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. This new standard includes disclosure requirements about subsidiaries, joint ventures and associates. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interests that non-controlling interests have in the consolidated entities and the nature and risks associated with interests in other entities. IAS 28, *Investments in Associates*, has been amended and will set the requirements for the application of the equity method when accounting for investments in associates. This standard will be effective for the Initial Portfolio's year end beginning January 1, 2013, with early adoption permitted. The adoption of IFRS 12 is not expected to have a significant impact on the Initial Portfolio's combined statements of operations.

e. Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This new standard establishes a single source of guidance for fair value measurements when fair value is permitted or required by IFRS. The standard also requires enhanced disclosures when fair value is applied. This standard will be effective for the Initial Portfolio's year end beginning January 1, 2013, with early adoption permitted. This standard will not have an impact on the combined statements of operations.

4. FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTIES

Reconciliations of the change in the fair value of investment properties at the beginning and end of the six months ended June 30, 2012 is set out below:

Six months ended June 30, 2012 (Unaudited)	**Total**
Investment properties balance, beginning of period	$ 21,900,000
Capital additions	119,414
Fair value adjustment	80,586
Investment properties balance, end of period	**$ 22,100,000**

Reconciliations of the change in the fair value of investment properties at the beginning and end of the three months ended June 30, 2011 is set out below:

Six months ended June 30, 2011 (Unaudited)	**Total**
Investment properties balance, beginning of period	$ 20,700,000
Capital additions	94,700
Investment properties balance, end of period	**$ 20,794,700**

The fair values of the investment properties have been determined on a market value basis. As set out in note 3, in arriving at their estimates of market values, management and the independent appraisers have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

The appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

The significant assumptions made relating to the valuations are set out below:

	June 30, 2012	
	Weighted average	Range
Capitalization rate	7.00%	7.00%

	June 30, 2011	
	Weighted average	Range
Capitalization rate	7.00%	7.00%

CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 27, 2012

INDEPENDENT AUDITORS' / ACCOUNTANTS' REPORT

The Partners
M & A Texas Prairie LP
Encino, California

We have audited the accompanying balance sheet of M & A Texas Prairie LP as of December 31, 2011, and the related statement of operations and partners' equity and statement of cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M & A Texas Prairie LP as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have reviewed the accompanying balance sheet of M & A Texas Prairie LP as of December 31, 2010, and the related statement of operations and partners' equity and statement of cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the partnership's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

We conducted our review in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements.

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Based on our review, we are not aware of any material modifications that should be made to the accompanying 2010 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

NSBN LLP

NSBN LLP

M & A TEXAS PRAIRIE LP
BALANCE SHEETS
DECEMBER 31, 2011 (AUDITED) AND 2010 (REVIEWED)

ASSETS	Audited 2011	Reviewed 2010
Cash and cash equivalents		
Operating	$ 35,202	$ 69,826
Money market	1,656,030	1,796,208
	1,691,232	1,866,034
Receivables	45,958	36,259
Prepaid expenses	86,627	18,418
Utility deposits	11,000	11,000
Escrow deposits		
Insurance escrow	59,945	153,351
Property tax escrow	1,070,516	937,943
Replacement reserve	90,979	63,190
	1,221,440	1,154,484
Rental property - at cost		
Land	3,417,340	3,417,340
Buildings	28,821,509	28,821,509
Building improvements	5,630,762	5,630,762
Building equipment and appliances	6,194,290	6,194,290
Office furniture and equipment	319,922	319,922
	44,383,823	44,383,823
Less: accumulated depreciation	(6,308,892)	(3,928,409)
	38,074,931	40,455,414
Other assets		
Loan fees	290,975	290,975
Less: accumulated amortization	(77,117)	(48,019)
	213,858	242,956
TOTAL ASSETS	$ 41,345,046	$ 43,784,565
LIABILITIES		
Accounts payable and accrued expenses	$ 1,001,529	$ 946,178
Due to affiliate	2,819	---
Deferred income	114,047	---
Tenant security deposits	114,149	124,333
Long term debt	32,968,595	33,243,000
TOTAL LIABILITIES	34,201,139	34,313,511
PARTNERS' EQUITY	7,143,907	9,471,054
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 41,345,046	$ 43,784,565

See accompanying auditors' report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
STATEMENTS OF OPERATIONS AND PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 (AUDITED) AND 2010 (REVIEWED)

	Audited 2011	Reviewed 2010
REVENUES		
Market Rent	$ 5,898,316	$ 5,884,356
Less: Loss to lease	(158,880)	(369,812)
Potential rent	5,739,436	5,514,544
Less: Vacancy	(180,009)	(210,248)
Employee units	(18,870)	(16,747)
Courtesy officer units	(8,400)	(8,730)
Model and storage units	(14,100)	(14,100)
Bad debt	(8,717)	(53)
Rental concessions	(65,681)	(36,827)
TOTAL RENTAL INCOME	5,443,659	5,227,839
OTHER INCOME		
Utility reimbursement	172,967	156,155
Tenant charges and fees	160,176	124,925
Miscellaneous income	84,555	73,368
Interest income	4,582	7,622
TOTAL OTHER INCOME	422,280	362,070
OPERATING EXPENSES		
Administrative expenses	119,675	109,747
Advertising	81,749	90,804
Payroll and benefits	460,694	419,844
Repair and maintenance	173,150	190,108
Utilities	311,977	329,835
Management fees	97,193	136,105
Taxes and insurance	834,792	1,045,088
TOTAL OPERATING EXPENSES	2,079,230	2,321,531
INCOME FROM OPERATIONS	3,786,709	3,268,378
OTHER EXPENSES		
Financing costs and fees	2,207,363	2,163,375
Routine replacement expense	375,785	295,142
Capital expenses	7,990	189
Depreciation	2,380,483	2,380,483
Amortization	29,098	29,098
	5,000,719	4,868,287
NET LOSS	(1,214,010)	(1,599,909)
PARTNERS' EQUITY - Beginning of year	9,471,054	12,156,268
DISTRIBUTIONS TO PARTNERS	(1,113,137)	(1,085,305)
PARTNERS' EQUITY - End of year	$ 7,143,907	$ 9,471,054

See accompanying auditors' report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 (AUDITED) AND 2010 (REVIEWED)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Audited 2011	Reviewed 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,214,010)	$ (1,599,909)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,409,581	2,409,581
(Increase) Decrease in -		
Receivables	(9,699)	(36,259)
Prepaid expenses	(68,209)	122,582
Increase (Decrease) in -		
Accounts payable and accrued expenses	55,351	(6,804)
Due to affiliate	2,819	---
Deferred income	114,047	---
Tenant security deposits	(10,184)	(820)
Total Adjustments	2,493,706	2,488,280
Net Cash Provided by Operating Activities	1,279,696	888,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in insurance and tax escrow	(39,167)	(112,525)
Deposits to replacement reserve	(116,004)	(116,004)
Withdrawals from replacement reserve	88,215	139,817
Net Cash Used in Investing Activities	(66,956)	(88,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long term debt	(274,405)	---
Distributions to partners	(1,113,137)	(1,085,305)
Net Cash Used in Financing Activities	(1,387,542)	(1,085,305)
Net Decrease in Cash and Cash Equivalents	(174,802)	(285,646)
CASH AND CASH EQUIVALENTS - Beginning of year	1,866,034	2,151,680
CASH AND CASH EQUIVALENTS - End of year	$ 1,691,232	$ 1,866,034
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 2,023,528	$ 2,029,023

See accompanying auditors' report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 (AUDITED)

Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -

M & A Texas Prairie LP (the partnership) was organized pursuant to a Texas limited partnership agreement on February 20, 2009. On February 26, 2009, the partnership purchased 28.63% of an apartment complex known as Prairie Creek Villas I & II (the property) as one of three tenants in common. On June 5, 2009, the other tenants in common contributed their respective ownership of the property to the partnership. The property is located in Richardson, Texas.

Significant Accounting Policies -

Basis of Accounting - The partnership's books are maintained primarily on the income tax basis of accounting. Certain adjustments are made to various accounts to prepare the financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Bad Debts - Accounts receivable are charged to bad debts when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Cash Equivalents - For purposes of the statement of cash flows, the partnership considers all highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Rental Property - Rental property is carried at cost. Expenditures for maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statements of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Classification	Life
Buildings	40 years
Building improvements	15 years
Building equipment and appliances	5 years
Office furniture and equipment	7 years

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 (AUDITED)

Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Loan Fees - Loan fees relate to the property's financing and are amortized on a straight-line basis over the term of the loan, which is ten (10) years.

Rental Income - Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and its tenants are operating leases.

Advertising - Advertising costs are charged to operations when incurred.

Income Taxes - No provision for income taxes has been included in the accompanying statements of operations since the income or loss of the partnership is required to be reported by the respective partners on their separate income tax returns.

Subsequent Events - Management has evaluated subsequent events through September 27, 2012, the date the financial statements were available to be issued.

Note 2 CONCENTRATION OF CREDIT RISK

The partnership maintains its cash accounts in a single financial institution, Wells Fargo Bank. The aggregate balance of the bank accounts exceed, at times, the federally insured limit of $250,000. The partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to these accounts at December 31, 2011.

Note 3 ESCROW DEPOSITS

The loan agreement with NorthMarq Capital, LLC requires the partnership to make monthly escrow deposits to cover insurance premiums, property taxes, and to maintain a replacement reserve fund. These funds are held by the mortgagee. Expenditures from the replacement reserve are subject to supervision and approval by the general partner.

Note 4 LONG TERM DEBT

Mortgage note payable, secured by a Deed of Trust and assignment of rents and leases, payable to NorthMarq Capital, LLC. The note was executed February 26, 2009, and bears interest at 6.02% per annum. The note matures March 1, 2019. Interest only payments equal to $5,558.97 multiplied by the number of days in the month prior were due beginning April 1, 2009 and ending March 1, 2011. Beginning April 1, 2011 and continuing on the first of each month until maturity, principal and interest of $199,736 shall be due and payable. All remaining principal and interest shall be due at maturity.	$ 32,968,595

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 (AUDITED)

Note 4 LONG TERM DEBT (Cont.)

Maturities of long term debt as of December 31, 2011 for the succeeding five years are as follows:

Years ended December 31,		
2012	$	389,830
2013		420,063
2014		446,431
2015		474,455
2016		498,782
Thereafter		30,739,034
	$	32,968,595

Note 5 MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

Cable TV commissions and door fee	$	27,127
Furniture and appliance rentals		30,537
Parking/carport rentals		21,841
Club room rental		5,050
	$	84,555

Note 6 FINANCING COSTS AND FEES

Financing costs and fees consist of the following:

Interest expense	$	2,023,528
General partnership fees		124,560
Franchise tax fee		32,129
Accounting and consulting		16,000
Inspections and permits		8,130
Technology fee		3,016
	$	2,207,363

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 (AUDITED)

Note 7 RELATED PARTY TRANSACTIONS

There were no direct compensation payments to the partners during the year. However, there were related party transactions which occurred which are set forth below:

Name	Description		Expenses 2011
M & A PMC	General partnership fees	$	124,560
M & A PMC II	Technology fee		3,016
		$	127,576

Note 8 REAL ESTATE SALE AGREEMENT

The partnership entered into a real estate sale agreement (the agreement) in June 2012, whereby the partnership has agreed in principal to sell the apartment complex for $52,500,000, subject to the various provisions in the agreement. The sale is estimated to be completed in September 2012.

CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 27, 2012

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Partners
M & A Texas Prairie LP
Encino, California

We have reviewed the accompanying balance sheets of M & A Texas Prairie LP as of June 30, 2012 and 2011, and the related statements of operations and partners' equity and cash flows for the six months ended June 30, 2012 and June 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the partnership's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

NSBN LLP

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M & A TEXAS PRAIRIE LP
BALANCE SHEETS
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
Cash and cash equivalents		
Operating	$ 41,690	$ 36,730
Money market	1,440,539	1,573,137
	1,482,229	1,609,867
Receivables	45,940	45,939
Prepaid expenses	30,769	41,087
Utility deposits	11,000	11,000
Escrow deposits		
Insurance escrow	112,614	132,626
Property tax escrow	671,547	684,389
Replacement reserve	148,981	121,192
	933,142	938,207
Rental property - at cost		
Land	3,417,340	3,417,340
Buildings	28,821,509	28,821,509
Building improvements	5,630,762	5,630,762
Building equipment and appliances	6,194,290	6,194,290
Office furniture and equipment	319,922	319,922
	44,383,823	44,383,823
Less: accumulated depreciation	(7,499,134)	(5,118,651)
	36,884,689	39,265,172
Other assets		
Loan fees	290,975	290,975
Less: accumulated amortization	(91,666)	(62,568)
	199,309	228,407
TOTAL ASSETS	$ 39,587,078	$ 42,139,679
LIABILITIES		
Accounts payable and accrued expenses	$ 704,911	$ 541,690
Deferred income	94,652	9,344
Tenant security deposits	96,968	126,967
Long term debt	32,776,654	33,154,765
TOTAL LIABILITIES	33,673,185	33,832,766
PARTNERS' EQUITY	5,913,893	8,306,913
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 39,587,078	$ 42,139,679

See independent accountant's review report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
STATEMENTS OF OPERATIONS AND PARTNERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND JUNE 30, 2011

	2012	2011
REVENUES		
Market Rent	$ 2,951,868	$ 2,947,473
Gain (Loss) to lease	59,135	(127,535)
Potential rent	3,011,003	2,819,938
Less: Vacancy	(115,322)	(97,315)
Employee units	(8,702)	(9,318)
Courtesy officer units	(4,200)	(4,200)
Model and storage units	(7,050)	(7,050)
Bad debt	(6,324)	(3,775)
Rental concessions	(44,100)	(28,077)
TOTAL RENTAL INCOME	2,825,305	2,670,203
OTHER INCOME		
Utility reimbursement	100,527	82,070
Tenant charges and fees	83,586	72,563
Miscellaneous income	38,988	37,407
Interest income	1,453	2,701
TOTAL OTHER INCOME	224,554	194,741
OPERATING EXPENSES		
Administrative expenses	44,264	57,440
Advertising	33,374	33,620
Payroll and benefits	209,757	227,092
Repair and maintenance	73,875	83,598
Utilities	155,067	144,570
Management fees	61,316	48,720
Taxes and insurance	453,259	321,397
TOTAL OPERATING EXPENSES	1,030,912	916,437
INCOME FROM OPERATIONS	2,018,947	1,948,507
OTHER EXPENSES		
Financing costs and fees	1,128,803	1,113,144
Routine replacement expense	275,351	146,657
Capital expenses	---	7,990
Depreciation	1,190,242	1,190,242
Amortization	14,549	14,549
	2,608,945	2,472,582
NET LOSS	(589,998)	(524,075)
PARTNERS' EQUITY - Beginning of period	7,143,907	9,471,054
DISTRIBUTIONS TO PARTNERS	(640,016)	(640,066)
PARTNERS' EQUITY - End of period	$ 5,913,893	$ 8,306,913

See independent accountant's review report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND JUNE 30, 2011

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

		2012		2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(589,998)	$	(524,075)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		1,204,791		1,204,791
(Increase) Decrease in -				
Receivables		18		(14,311)
Prepaid expenses		55,858		(18,038)
Increase (Decrease) in -				
Accounts payable and accrued expenses		(299,437)		(404,488)
Deferred income		(19,395)		9,344
Tenant security deposits		(17,181)		2,634
Total Adjustments		924,654		779,932
Net Cash Provided by Operating Activities		334,656		255,857
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in insurance and tax escrow		346,300		274,279
Deposits to replacement reserve		(58,002)		(58,002)
Net Cash Provided by Investing Activities		288,298		216,277
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on long term debt		(191,941)		(88,235)
Distributions to partners		(640,016)		(640,066)
Net Cash Used in Financing Activities		(831,957)		(728,301)
Net Decrease in Cash and Cash Equivalents		(209,003)		(256,167)
CASH AND CASH EQUIVALENTS - Beginning of period		1,691,232		1,866,034
CASH AND CASH EQUIVALENTS - End of period	$	1,482,229	$	1,609,867
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the period for interest	$	1,006,477	$	1,011,281

See independent accountant's review report.
The notes are an integral part of these financial statements.

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -

M & A Texas Prairie LP (the partnership) was organized pursuant to a Texas limited partnership agreement on February 20, 2009. On February 26, 2009, the partnership purchased 28.63% of an apartment complex known as Prairie Creek Villas I & II (the property) as one of three tenants in common. On June 5, 2009, the other tenants in common contributed their respective ownership of the property to the partnership. The property is located in Richardson, Texas.

Significant Accounting Policies -

Basis of Accounting - The partnership's books are maintained primarily on the income tax basis of accounting. Certain adjustments are made to various accounts to prepare the financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Bad Debts - Accounts receivable are charged to bad debts when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Cash Equivalents - For purposes of the statement of cash flows, the partnership considers all highly liquid investments with original maturities of three months or less and investments in money market funds to be cash equivalents.

Rental Property - Rental property is carried at cost. Expenditures for maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statements of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Classification	Life
Buildings	40 years
Building improvements	15 years
Building equipment and appliances	5 years
Office furniture and equipment	7 years

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Loan Fees - Loan fees relate to the property's financing and are amortized on a straight-line basis over the term of the loan, which is ten (10) years.

Rental Income - Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and its tenants are operating leases.

Advertising - Advertising costs are charged to operations when incurred.

Income Taxes - No provision for income taxes has been included in the accompanying statements of operations since the income or loss of the partnership is required to be reported by the respective partners on their separate income tax returns.

Subsequent Events - Management has evaluated subsequent events through September 27, 2012, the date the financial statements were available to be issued.

Note 2 CONCENTRATION OF CREDIT RISK

The partnership maintains its cash accounts in a single financial institution, Wells Fargo Bank. The aggregate balance of the bank accounts exceed, at times, the federally insured limit of $250,000. The partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to these accounts at June 30, 2012.

Note 3 ESCROW DEPOSITS

The loan agreement with NorthMarq Capital, LLC requires the partnership to make monthly escrow deposits to cover insurance premiums, property taxes, and to maintain a replacement reserve fund. These funds are held by the mortgagee. Expenditures from the replacement reserve are subject to supervision and approval by the general partner.

Note 4 LONG TERM DEBT

Mortgage note payable, secured by a Deed of Trust and assignment of rents and leases, payable to NorthMarq Capital, LLC. The note was executed February 26, 2009, and bears interest at 6.02% per annum. The note matures March 1, 2019. Interest only payments equal to $5,558.97 multiplied by the number of days in the month prior were due beginning April 1, 2009 and ending March 1, 2011. Beginning April 1, 2011 and continuing on the first of each month until maturity, principal and interest of $199,736 shall be due and payable. All remaining principal and interest shall be due at maturity.	$ 32,776,654

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4 LONG TERM DEBT (Cont.)

Maturities of long term debt as of June 30, 2012 for the succeeding five years are as follows:

Periods ended June 30,	
2013	$ 407,435
2014	433,011
2015	460,192
2016	483,788
2017	519,448
Thereafter	30,472,780
	$ 32,776,654

Note 5 MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

Cable TV commissions and door fee	$ 11,764
Furniture and appliance rentals	12,468
Parking/carport rentals	10,001
Club room rental	3,075
Legal fees	1,680
	$ 38,988

Note 6 FINANCING COSTS AND FEES

Financing costs and fees consist of the following:

Interest expense	$ 1,006,477
General partnership fees	62,280
Franchise tax fee	35,330
Accounting and consulting	16,200
Inspections and permits	7,356
Technology fee	1,160
	$ 1,128,803

M & A TEXAS PRAIRIE LP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 RELATED PARTY TRANSACTIONS

There were no direct compensation payments to the partners during the period. However, there were related party transactions which occurred which are set forth below:

Name	Description		Expenses for the Period
M & A PMC	General partnership fees	$	62,280
M & A PMC II	Technology fee		1,160
		$	63,440

Note 8 REAL ESTATE SALE AGREEMENT

The partnership entered into a real estate sale agreement (the agreement) in June 2012, whereby the partnership has agreed in principal to sell the apartment complex for $52,500,000, subject to the various provisions in the agreement. The sale is estimated to be completed in September 2012.

CERTIFICATE OF THE ISSUER AND THE PROMOTER

DATED: October 12, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Québec.

PURE MULTI-FAMILY REIT LP,
By its General Partners

Pure MultiFamily Management Limited Partnership,
By its General Partner,
Sunstone MultiFamily Investments Inc.

"Stephen Evans"	*"Scott Shillington"*
(Signed) STEPHEN EVANS	(Signed) SCOTT SHILLINGTON
Chief Executive Officer	Chief Financial Officer

Pure Multi-Family REIT (GP) Inc.

"Stephen Evans"	*"Scott Shillington"*
(Signed) STEPHEN EVANS	(Signed) SCOTT SHILLINGTON
Chief Executive Officer	Chief Financial Officer

On behalf of the Board of Governing GP

"Darren Latoski"	*"Robert King"*
(Signed) DARREN LATOSKI	(Signed) ROBERT KING
Director	Director

PURE MULTIFAMILY MANAGEMENT LIMITED PARTNERSHIP,
By its General Partner,
Sunstone MultiFamily Investments Inc.

(as Promoter)

"Stephen Evans"	*"Scott Shillington"*
(Signed) STEPHEN EVANS	(Signed) SCOTT SHILLINGTON
Chief Executive Officer	Chief Financial Officer

CERTIFICATE OF THE UNDERWRITERS

DATED: October 12, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Québec.

DUNDEE SECURITIES LTD.

Per: *"Aaron Unger"*
Aaron Unger
Managing Director

CANACCORD GENUITY CORP.

Per: *"Justin Bosa"*
Justin Bosa
Managing Director

NATIONAL BANK FINANCIAL INC.

Per: *"Glen Hirsh"*
Glen Hirsh
Managing Director

RAYMOND JAMES LTD.

Per: *"J. Graham Fell"*
J. Graham Fell
Senior Managing Director

SCOTIA CAPITAL INC.

Per: *"Bryce Stewart"*
Bryce Stewart
Director

GMP SECURITIES L.P.

Per: *"Andrew Kiguel"*
Andrew Kiguel
Managing Director

MACQUARIE CAPITAL MARKETS CANADA LTD.

Per: *"John Bartkiw"*
John Bartkiw
Managing Director

DESJARDINS SECURITIES INC.

Per: *"Mark Edwards"*
Mark Edwards
Managing Director

HSBC SECURITIES (CANADA) INC.

Per: *"Jay Lewis"*
Jay Lewis
Managing Director

SORA GROUP WEALTH ADVISORS INC.

Per: *"Bradley J. Miller"*
Bradley J. Miller
President and CEO