



2013 ANNUAL REPORT

For the year ended December 31, 2013



Bear Creek Apartments, Dallas, TX

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Oakchase, Dallas, TX



TO OUR UNITHOLDERS:

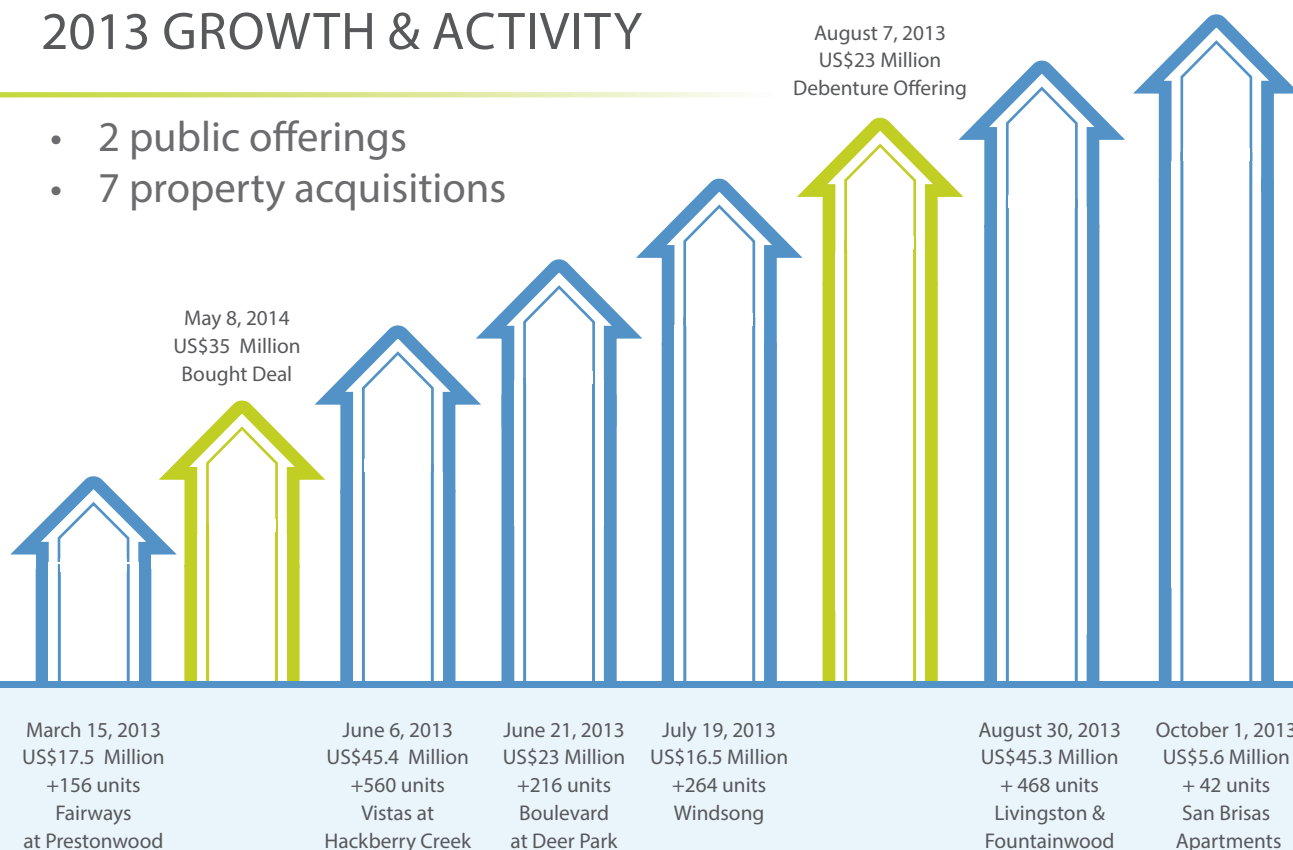
In the words of the ineffable Charles Dickens, "It was the best of times, it was the worst of times..." 2013 truly was somewhat of a 'Tale of Two Cities' for Pure Multi as we saw solid growth of 89% in our overall portfolio size with 1,706 high quality apartments added in primary growth markets and yet we witnessed the entire Canadian REIT sector come under significant downward selling pressure that adversely impacted Pure Multi's unit trading values.

In Q2, the US Federal Reserve announcement about the potential tapering of their stimulus program, known as quantitative easing, sent a small shockwave through the Canadian REIT sector. The announcement resulted in a reduction of approximately 15% in Canadian REIT market values as fears over rising interest rates and its potential impact on the U.S. economy created uncertainty in the marketplace. As the dust settled over the last quarter of 2013, we believe that the marketplace over-reacted to the fear of rising interest rates and the end to quantitative easing. The U.S. economy continues to show positive signs of economic growth and today we are still able to obtain very compelling interest rates of below 3.50% on 5 year mortgages for new acquisitions – equal to the pricing range we were obtaining prior to the Fed's announcement. The potential for growing our portfolio with a very conservative level of debt financing at attractive interest rates remains very compelling.

During the year Pure Multi raised US\$58 million in two public offerings and acquired \$153.3 million of resort-style apartment communities consisting of 1,706 apartments. Our portfolio now has 3,614 apartments and over 3.1 million square feet of rentable space situated on over 200 acres of land.

2013 GROWTH & ACTIVITY

- 2 public offerings
- 7 property acquisitions

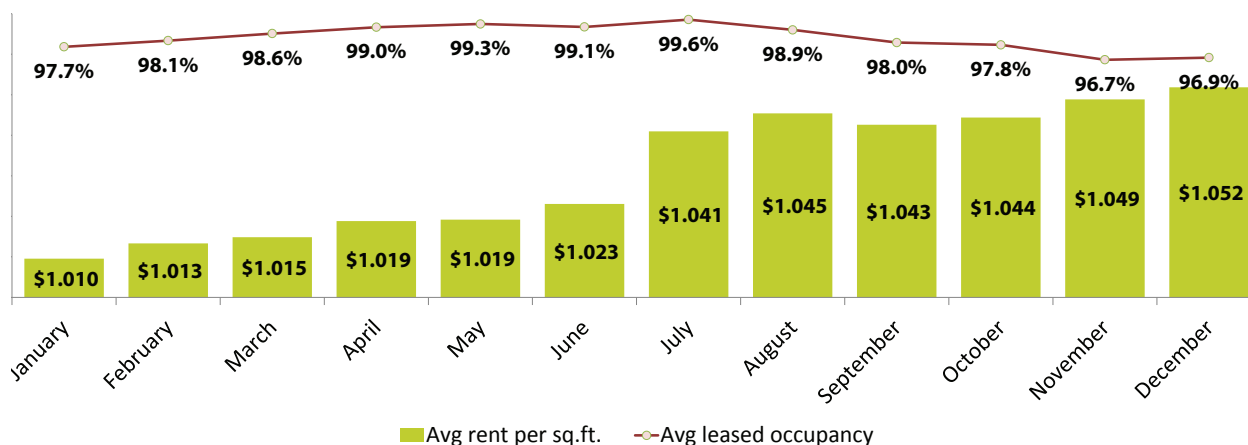


In-place Rents and Occupancy Trends

January 2013 to December 2013

98.1%

2013 average leased occupancy



Financial Highlights

(\$000's) except per unit amounts	Year ended December 31, 2013	From the date of formation on May 8, 2012 to December 31, 2012
Revenue	\$31,583	\$6,071
Property NOI	\$16,357	\$3,096
Income for the year	\$14,202	\$1,700
Funds from Operations	\$8,437	\$1,731
FFO Per Class A Unit	\$0.370	\$0.118
Distributions per unit	\$0.365	\$0.171
FFO payout Ratio	99.2%	150.2%

	As at December 31, 2013	As at December 31, 2012
Total Assets	\$351,007	\$194,636
Mortgages Payable	\$196,333	\$111,665
Total Debt to Gross Book Value	64.0%	57.4%
Weighted Average Interest Rate on mortgages payable	4.12%	4.23%

Bear Creek Apartments, Euless, TX



Resort Style Swimming Pools at San Brisas



Outdoor Lounge Area at Livingston



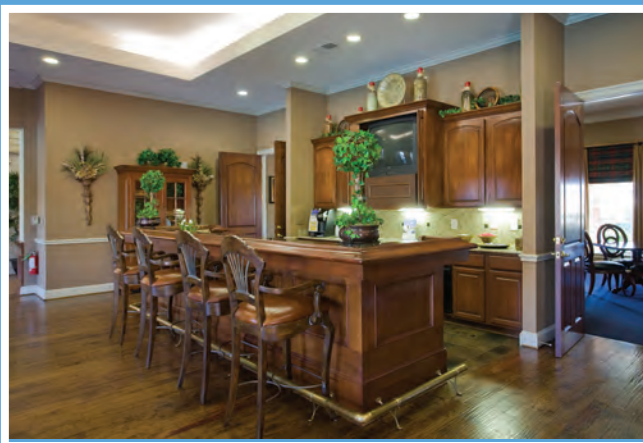
However, what continues to separate Pure Multi from its competitors is the quality of our apartment communities, which we believe are unparalleled in the Canadian REIT universe. With a weighted average year of construction of 1993, our properties can be classified as newer construction, class "A" assets.

Our communities offer luxurious amenities such as resort-style swimming pools, outdoor kitchens and lounge areas, tennis courts, sand volley-ball courts, gated dog parks, clubhouses with 24-hour fitness centres, private function & meeting facilities, business centres, movie theatres and ample lush green space.

Our apartment units offer high-end finishings such as high ceilings with crown mouldings, large windows, individual central air conditioning, private patios & sun decks, in-suite laundry, built-in work centres and high quality appliances, as well as attached and detached garages.

Our same property revenue growth, year over year, was an impressive 5.3%. With this healthy rental rate growth combined with long term, fixed mortgage interest rates, a very low REIT cost structure and improving net operating income margins, we believe that Pure Multi will continue to position itself as the leader in its asset class.

Clubhouse at Prairie Creek

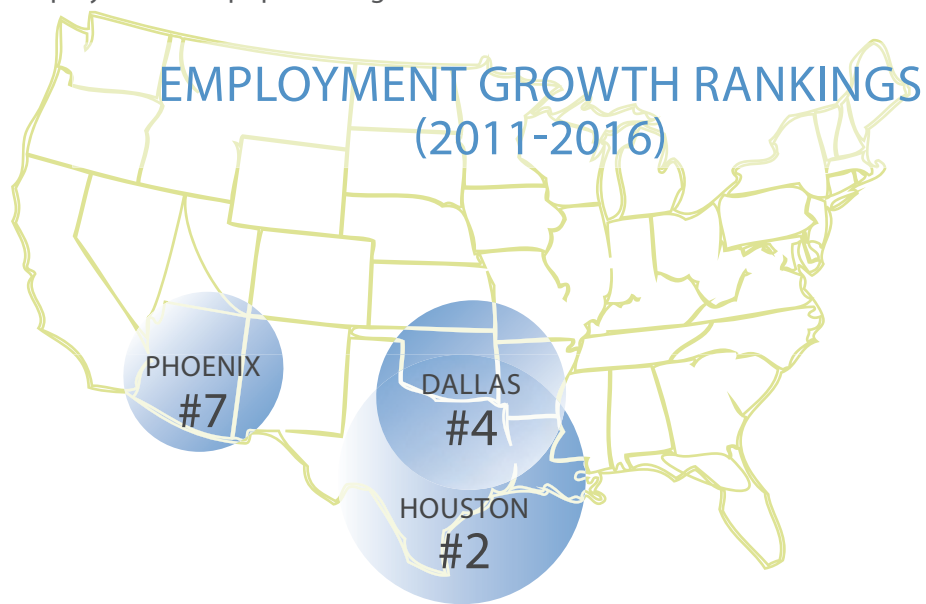


Fitness Facilities at Valley Ranch



Our Strategy

Pure Multi's core strategy is to invest in high quality multi-family apartment communities in primary markets that produce a steady, sustainable yield while offering investors significant annual organic growth. The stable and growing income produced by these high quality properties stems from the very strong demand in the multi-family real estate sector. This demand is driven by employment and population growth.



STRATEGIC SUNBELT FOCUS

- U.S. GDP forecasted to increase 2.4% vs. U.S. sunbelt GDP forecasted at 4.7% for 2014
- Houston, Dallas and Phoenix ranked in the top 10 in the U.S. for employment growth

Two of our current core markets, Dallas-Fort Worth and Houston, are consistently in the top 5 performing metropolitan areas for both employment and population growth. Employment gains in Houston are coming from growth and expansion in the energy, health and distribution industries, as well as construction and related manufacturing and professional services. Dallas-Fort Worth has benefitted from increasing concentrations of technology, corporate headquarters, distribution networks, health and related manufacturing and constructions industries.

Our third core market, Phoenix, also continues to experience job and population growth. Current unemployment rates remain lower than the national average and Phoenix is expected to continue to experience higher than average population growth throughout 2014.

Throughout 2013 and into 2014, new supply in our targeted markets will not be able to keep up with the current demand for rental units. With construction costs increasing 40% over the last 5 years on a national level, it is unclear whether projected rental rate growth can support the cost of construction.

We believe that strong returns can be achieved by continuing to target high quality properties in these markets and other similar markets that are displaying strong economic fundamentals. The U.S. multi-family market is large and features an abundant supply of acquisition opportunities at attractive price levels, permitting us to execute our growth strategy with discipline.



Our Residents

Our residents are as varied as our properties and range from single professionals, and young families to retirees. Our larger overall average unit size allows us to attract a varied group of residents that enables us to diversify our income stream.

However, over the last few years one of the key drivers of the strong demand for U.S. multi-family apartments has been the Echo Boom Generation or “Gen Y”. Just as their parents (the Baby Boomers) drove dramatic long term growth in certain areas of the economy over the past 25 years, this demographic, aged 20-34, is estimated to be between 72-80 million strong in the United States and they have a very high (almost 70%) propensity to rent.

This generation tends to prefer to live in close proximity to their jobs, shops and entertainment as well as public transportation.

Lifestyle amenities continue to be a priority for many of this generation and luxury amenities like those found at our properties serve as additional draws to attract this group of renters. Echo Boomers generally choose to rent rather than own during their career-building years as renting affords a great low-maintenance standard of living with the flexibility to transfer from one city to another with ease to pursue their career paths.

Home ownership, on the other hand, requires a significant down payment, a static career position, strong credit scores and an interest in settling down and raising a family. This generation may be the first generation that experienced a very negative sentiment towards home ownership as many saw their parents struggle with or lose their homes due to the sub-prime fallout.

Gen Y, in conjunction with a recovering US economy, will continue to drive the profitability, rental growth rates and values in the apartment sector for many years to come.



Our Apartment Communities

U.S. multi-family real estate has generated strong investor returns over the last 20 years driven by:

- Very diverse and thus stable income streams
- Steady and predictable operating costs
- Manageable capital expenditure requirements
- Favorable debt financing terms

These drivers are evident across Pure Multi's portfolio. Pure Multi's current portfolio has a leased occupancy rate of 97% and has minimal capex requirements. Our portfolio produces an attractive sustainable yield and allows us to maintain a conservative leverage with a targeted debt to gross book value ratio of 55% - 65%.

Pure Multi is unique in that it also provides investors with a truly aligned management structure. Our structure does not permit asset management fees of any type. We have established a fee structure that is success driven and management is remunerated in units instead of cash compensation.

Building the Portfolio

- Leased occupancy as at December 31, 2013: 96.9%
- 2013 average leased occupancy: 98.1%
- Number of units: 3,614
- Number of acres: 200
- Rentable square feet: 3.15 million
- Portfolio employs only property level debt
- Total value of acquisitions: \$324.3 million
- Target loan to gross book value range: 55% to 65% (to a maximum of 70%)
- Debt to gross book value: 64.0%
- Loan to portfolio value: 59.7%
- Weighted average interest rate: 4.12%
- Weighted average mortgage term to maturity: 8.0 years
- Total property debt acquired: \$200.1 million

Looking Ahead

Pure Multi's core strategy focuses on acquiring high-quality apartment communities in desirable neighbourhoods, located within strong growth cities of the U.S. sunbelt. These properties support solid organic growth rates and value-add potential within our portfolio.

We will focus on acquiring multi-family apartment communities in clusters located in desirable neighbourhoods with high barriers to entry for new construction, thus creating additional and ongoing upside pressure on rental rates and occupancy.

With interest rates continuing to remain at historic lows, we believe that this further enhances our position to deliver strong returns to our investors. It is worth noting, however, that as concerns over the potential for rising interest rates continue to proliferate, we believe that if the Federal Reserve's response to a strengthening U.S. economy is to raise interest rates, our increased borrowing costs will be offset by greater tenant demand from increased job and population growth, thus resulting in higher rents.

The key for Pure Multi in a rising interest rate environment will be to continue to act defensively through securing long-term mortgages at fixed interest rates.

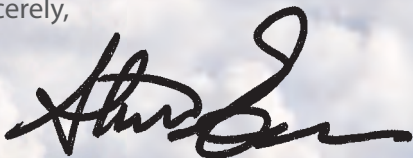
In the near future, Pure Multi intends to expand into new property markets in the southeast and southwest regions of the United States that exhibit strong employment growth rates and ongoing strong occupancy rates, and complement the initial portfolio with the potential to create additional value.

In the long term, Pure Multi's growth strategy is to invest in quality multi-family real estate properties across all major strong-growth markets in the United States.

Our portfolio has been strategically assembled and consists of very high quality class A properties in upper income sub-markets. Along with our low cost structure (among the lowest of our REIT peers), conservative balance sheet and aligned management interests, we strongly believe that Pure Multi is well positioned for future growth.

So on behalf of the management team at Pure Multi-Family REIT LP, I'd like to thank all of our team and our directors for their hard work and loyalty and our unitholders for their continued support.

Sincerely,



Steve Evans, CEO, Director and Unitholder



Fairways at Prestonwood, Dallas, TX



2013 FINANCIAL REPORT

Management's Discussion and Analysis

Consolidated Financial Statements

For the year ended December 31, 2013





PURE MULTI-FAMILY REIT LP
Management's Discussion and Analysis
For the year ended December 31, 2013
Dated: March 12, 2014



San Brisas Apartments, Phoenix, AZ

SECTION I

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the financial position and the results of operations of Pure Multi-Family REIT LP ("Pure Multi") for the year ended December 31, 2013 should be read in conjunction with Pure Multi's audited consolidated financial statements for the years ended December 31, 2013 and 2012, available on SEDAR at www.sedar.com or on Pure Multi's website at www.puremultifamily.com. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Results of Operations", "Financial Condition", "Liquidity and Capital Resources", "Risks and Uncertainties" and "Outlook" relating to Pure Multi's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

In particular, certain statements in this MD&A discuss Pure Multi's anticipated future events. These statements include, but are not limited to:

- (i) Pure Multi's growth strategy, including the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;
- (ii) maintaining occupancy levels and rental revenue, which could be impacted by changes in demand for Pure Multi's properties, financial circumstances of tenants, including tenant defaults, the effects of general economic conditions and supply of competitors' properties in proximity to Pure Multi's properties;
- (iii) overall indebtedness levels, which could be impacted by the level of acquisition activity Pure Multi is able to achieve, fair value of its properties and future financing opportunities;
- (iv) tax status of the Pure US Apartments REIT Inc., which can be impacted by regulatory changes enacted by governmental authorities;
- (v) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;
- (vi) obtaining and maintaining adequate insurance for Pure Multi's properties; and
- (vi) anticipated interest rates and exchange rates.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: unit prices; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; lease rollover risk; competition for real property investments; environmental matters; changes in legislation; and indebtedness of Pure Multi.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available, which include, management's current expectations, estimates and assumptions that: proposed acquisitions will be completed on the terms and basis agreed to by Pure Multi, property acquisition and disposition prospects and opportunities will be consistent with Pure Multi's experience over the past 12 months, the multi-family residential real estate market in the "Sunbelt" region in the United States will remain strong, the global economic environment will remain stable, interest rates will remain at current levels, and Pure Multi's business strategy, plans, outlook, projections, targets and operating costs will be consistent with Pure Multi's experience over the past 12 months, Pure Multi will be able to maintain occupancy at current levels, tenants will not default on lease terms, governmental regulations and taxation will not change to adversely affect Pure Multi's business and financial results, and Pure Multi will be able to obtain adequate insurance and financing; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

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

These forward-looking statements are made as of March 12, 2014 and Pure Multi assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the year ended December 31, 2013 includes material information up to March 12, 2014. Except as otherwise stated in this MD&A, all dollar amounts in this MD&A, including per unit amounts, are stated in U.S. dollars.

All references herein to "consolidated" refer to amounts as reported under IFRS. All references to "Pure Multi's interest" refer to a non-IFRS measure presented on a proportionally consolidated basis. For a reconciliation of Pure Multi's statement of financial position and results of operations, see "Statement of Financial Position and Results of Operations Reconciliation".

Certain figures in this MD&A are non-IFRS measures, including, Pure Multi's interest, Funds from Operations or FFO, Adjusted Funds from Operations or AFFO, and Distributable Income or DI. For an IFRS to non-IFRS reconciliation, see "Statement of Financial Position and Results of Operations Reconciliation", "Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations" and "Distributable Income".

OVERVIEW

About Pure Multi

Pure Multi is a Canadian-based publically traded vehicle which offers investors exclusive exposure to U.S. multi-family real estate assets. It offers investors the ability to participate in monthly distributions, with potential for capital appreciation, stemming from ownership in quality apartment assets located in core cities within the "Sunbelt" region of the U.S.

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 Multi-Family 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 a Limited Partnership Agreement (the “LP 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 LP Agreement can be obtained from Pure Multi or on SEDAR at www.sedar.com.

Pure Multi, through the Pure US Apartments REIT Inc. (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.

Operational and Financial Highlights (all metrics stated at Pure Multi’s interest ⁽¹⁾)

During the year ended December 31, 2013, Pure Multi acquired an interest in seven investment properties for a combined purchase price of \$153.3 million, encompassing 1,706 units and situated on 86.3 acres of land. The acquisitions were financed with new mortgages, a mortgage assumption, a new credit facility and cash remaining from funds raised during the 2012 fiscal year and the bought deal public offerings which closed on May 8, 2013 and August 7, 2013. As at December 31, 2013, Pure Multi’s portfolio consisted of 13 investment properties comprising 3,614 units and situated on 200.3 acres of land.

During the fourth quarter of 2013, Pure Multi was able to increase total revenues by 120.0% compared to the fourth quarter of 2012, and obtain an increase of 5.3% in same property revenue growth ⁽²⁾ and an increase of 4.7% in same property average monthly rent per occupied unit ⁽³⁾ during the same period.

Pure Multi had mortgages payable in the amount of \$196.3 million, with a weighted average interest rate of 4.12% as at December 31, 2013 (December 31, 2012 - \$111.7 million and 4.23%, respectively).

The resulting loan to gross book value, after the transactions noted above, is 64.0% as at December 31, 2013 (December 31, 2012 - 57.4%), situated below the maximum indebtedness level of 70% stipulated within the LP Agreement. See “Capital Structure”.

<i>Pure Multi’s interest</i>	As at December 31,	
	2013	As at December 31, 2012
Number of properties	13	6
Number of units	3,614	1,908
Physical Occupancy	95.7%	96.4%
Leased Occupancy	96.9%	97.3%
Investment properties (000’s)	\$ 337,603	\$ 175,916
Mortgages payable (000’s)	\$ 196,333	\$ 111,665
Weighted average effective interest rate on mortgages payable	4.12%	4.23%
Loan to gross book value	64.0%	57.4%

Notes:

- (1) Pure Multi’s interest represents the proportionate share of all assets, liabilities, revenues and expenses of all its portfolio investments.
- (2) Same property revenue growth (non-IFRS measure) represents total property revenues, including other income, for properties owned during the entire comparative periods.
- (3) Same property average monthly rent per occupied unit (non-IFRS measure) represents average monthly rental income for occupied units, net of concessions and discounts, for properties owned during the entire comparative periods.

<i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Rental revenue - consolidated	\$ 31,456	\$ 6,071	\$ 10,316	\$ 4,746
Rental revenue – Pure Multi’s interest ⁽¹⁾	31,583	6,071	10,443	4,746
Net rental income - consolidated	16,278	3,096	5,455	2,495
Net rental income – Pure Multi’s interest ⁽¹⁾	16,357	3,096	5,533	2,495
Distributions	8,371	2,599	2,377	1,619
Per Class A unit (basic and diluted)	0.37	0.17	0.09	0.09
Per Class B unit (basic and diluted)	2.09	0.65	0.59	0.40
Distributable income ⁽¹⁾	8,437	1,731	2,650	1,404
per Class A unit (basic and diluted)	0.37	0.12	0.10	0.08
per Class B unit (basic and diluted)	2.11	0.43	0.66	0.35
Payout ratio ⁽²⁾	99.2%	150.2%	89.7%	115.3%
Funds from operations ⁽¹⁾	8,437	1,731	2,650	1,404
per Class A unit (basic and diluted)	0.37	0.12	0.10	0.08
per Class B unit (basic and diluted)	2.11	0.43	0.66	0.35
Payout ratio ⁽²⁾	99.2%	150.2%	89.7%	115.3%
Adjusted funds from operations ⁽¹⁾	7,691	1,562	2,413	1,280
per Class A unit (basic and diluted)	0.34	0.11	0.10	0.08
per Class B unit (basic and diluted)	1.92	0.39	0.60	0.32
Payout ratio ⁽²⁾	108.8%	166.4%	98.5%	126.5%

Notes:

- ⁽¹⁾ For an IFRS to non-IFRS reconciliation, see “Statement of Financial Position and Results of Operations Reconciliation”, “Distributable Income”, and “Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations”.
- ⁽²⁾ Payout ratios are higher than normal due to excess working capital from unit offerings. Management expects payout ratios to decrease once excess working capital is applied to acquire additional investment properties.

Acquisitions

2013

Property Name	City	Units	Price (\$000s)	Loan to Value	Cap Rate at December 31, 2013	Physical Occupancy at December 31, 2013	Leased Occupancy at December 31, 2013
Fairways at Prestonwood	Dallas, TX	156	\$ 17,500	49.5%	5.75%	92.3%	94.2%
Vistas at Hackberry Creek	Dallas, TX	560	45,400	65.0%	6.25%	96.8%	98.2%
The Boulevard at Deer Park	Houston, TX	216	23,000	71.7%	5.75%	95.8%	96.8%
Windsong Apartments	Dallas, TX	264	16,500	32.7%	7.00%	98.5%	99.2%
Fountainwood Apartments	Euleless, TX	288	19,800	65.7%	7.00%	98.3%	99.3%
Livingston Apartments	Plano, TX	180	25,500	62.4%	6.00%	99.4%	100.0%
San Brisas Apartments ⁽¹⁾	Chandler, AZ	42	5,600	49.2%	5.50%	97.6%	100.0%
		1,706	\$ 153,300	59.8%	6.23%	97.1%	98.2%

Note:

- ⁽¹⁾ Pure Multi acquired a 20% interest in San Brisas Apartments. All amounts shown reflect Pure Multi’s 20% interest in the investment property.

Fairways at Prestonwood

On March 15, 2013, Pure Multi, through the US REIT, acquired Laguna Luxury Apartments, located in Dallas, Texas, for a purchase price of \$17,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$8,670,000. Subsequent to the acquisition, management of Pure Multi decided to re-brand the investment property. The asset was re-named The Fairways at Prestonwood ("Prestonwood").

Vistas at Hackberry Creek

On June 6, 2013, Pure Multi, through the US REIT, acquired Vistas at Hackberry Creek Apartments ("Hackberry Creek"), located in Dallas, Texas, for a purchase price of \$45,400,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15 year mortgage in the amount of \$29,500,000.

The Boulevard at Deer Park

On June 21, 2013, Pure Multi, through the US REIT, acquired Deer Park Apartments, located in Houston, Texas, for a purchase price of \$23,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$16,480,000. Subsequent to the acquisition, management of Pure Multi decided to re-brand the investment property. The asset was re-named The Boulevard at Deer Park ("Deer Park").

Windsong Apartments

On July 19, 2013, Pure Multi, through the US REIT, acquired Windsong Apartments ("Windsong"), located in Dallas, Texas, for a purchase price of \$16,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and proceeds from a new credit facility.

Fountainwood Apartments

On August 30, 2013, Pure Multi, through the US REIT, acquired Fountainwood Apartments ("Fountainwood"), located in Euless, Texas, for a purchase price of \$19,800,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$13,000,000.

Livingston Apartments

On August 30, 2013, Pure Multi, through the US REIT, acquired Livingston Apartments ("Livingston"), located in Plano, Texas, for a purchase price of \$25,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 5 year mortgage in the amount of \$15,900,000.

San Brisas Apartments

On October 1, 2013, Pure Multi, through the US REIT, acquired a 19.99% interest in Sunstone San Brisas LP and a 20% interest in Sunstone San Brisas Apartments, LLC (collectively referred to as, "San Brisas"), located in Chandler, Arizona, for a purchase price of \$5,600,000, plus standard closing costs and adjustments. This acquisition was financed with cash and the assumption of a mortgage in the amount of \$2,755,967.

2012

Property Name	City	Units	Price (\$000s)	Loan to Value	Cap Rate at December 31, 2013	Physical Occupancy at December 31, 2013	Leased Occupancy at December 31, 2013
Oakchase Apartments	Arlington, TX	236	\$ 13,580	65.8%	6.75%	97.5%	97.9%
Windscape Apartment Homes	Grand Prairie, TX	154	8,379	60.7%	6.75%	93.5%	96.1%
Stoneleigh at Valley Ranch	Irving, TX	210	22,600	60.5%	5.85%	97.1%	99.1%
Sunset Point Apartment Homes & Springmist Apartment Homes	Arlington, TX Richardson, TX	408	24,569	65.0%	6.75%	92.2%	92.9%
Prairie Creek Villas	TX	464	52,500	62.1%	6.00%	95.3%	96.6%
Stoneleigh at Bear Creek	Euless, AZ	436	49,350	65.0%	5.75%	92.9%	94.5%
		1,908	\$ 170,978	63.4%	6.11%	94.4%	95.7%

The weighted average physical occupancy rate was 95.7% and weighted average leased occupancy rate was 96.9% for all properties owned as at December 31, 2013 (December 31, 2012 - 96.4% and 97.3%, respectively). The lease terms at residential properties typically have terms between one to 12 months.

As at December 31, 2013, the geographic concentration of Pure Multi's portfolio is made up of 13 investment properties, with an aggregate of 3,614 units, all located within Texas and Arizona.

May 2013 Class A Unit Offering

On May 8, 2013, Pure Multi completed a public offering of 7,000,000 Class A Units, at a price of \$5.00 per Class A Unit, for gross proceeds of \$35,000,000 (the "May 2013 Offering").

Proceeds from the May 2013 Offering were used to acquire Hackberry Creek and Deer Park. The following tables provide a description about Pure Multi's previous disclosure regarding the proposed use of proceeds, which was disclosed in Pure Multi's short form prospectus dated May 1, 2013, available on SEDAR at www.sedar.com, and its actual use of such proceeds, including purchase prices (before closing adjustments), mortgage proceeds and balance of funds to complete the acquisition:

Proposed Use of Proceeds (\$000s)	Purchase Price (Before Closing Adjustments)	Estimated Mortgage Proceeds	Estimated Balance Required to Close
Proposed property purchases	\$ 68,400	\$ 46,600	\$ 21,800
Unallocated working capital	-	-	10,950
Totals	\$ 68,400	\$ 46,600	\$ 32,750

Actual Use of Proceeds <i>(\$000s)</i>	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Balance Required to Close
Property purchases	\$ 84,900 ⁽¹⁾	\$ 51,376 ⁽²⁾	\$ 33,524
Funded from working capital	-	-	(774)
Totals	\$ 84,900	\$ 51,376	\$ 32,750

Notes:

- (1) Pure Multi completed the acquisitions of Hackberry Creek, Deer Park and Windsong, which closed on June 6, 2013, June 21, 2013 and July 19, 2013, respectively, with proceeds from the May 2013 Offering.
- (2) Pure Multi acquired Hackberry Creek and Deer Park with funds from the May 2013 Offering and mortgages in the amount of \$29,500,000 and \$16,480,000, respectively. Upon acquisition of Windsong, Pure Multi used proceeds from a credit facility in the amount of \$5,396,485, included in mortgage proceeds balance, in addition to proceeds from the May 2013 Offering.

Pure Multi had anticipated obtaining a new mortgage financing in the amount of \$17,100,000 in respect of Deer Park, as disclosed in its short form prospectus dated May 1, 2013. Pure Multi subsequently obtained new mortgage financing in the amount of \$16,480,000, as described above. As a result, the actual amount of mortgage proceeds was reduced, which also reduced the amount of unallocated working capital from the proposed amounts disclosed in the prospectus dated May 1, 2013. In addition to the properties identified for acquisition in the short form prospectus dated May 1, 2013, Pure Multi subsequently acquired Windsong on July 19, 2013. The result of the additional acquisition increased the actual property purchases and mortgage proceeds obtained, while reducing the amount of unallocated working capital.

August 2013 Convertible Debenture Offering

On August 7, 2013, Pure Multi completed a public offering of 23,000 convertible unsecured subordinated debentures (each, a "Convertible Debenture"), inclusive of 3,000 Convertible Debentures issued pursuant to the exercise in full of the over-allotment option, at a price of \$1,000 per Convertible Debenture, for gross proceeds of \$23,000,000 (the "August 2013 Offering").

Proceeds from the August 2013 Offering were used to acquire Fountainwood and Livingston. The following tables provide a description about Pure Multi's previous disclosure regarding the proposed use of proceeds, which was identified in Pure Multi's short form prospectus dated July 29, 2013, available on SEDAR at www.sedar.com, and its actual use of such proceeds, including purchase prices (before closing adjustments), mortgage proceeds and balance of funds to complete the acquisition:

Proposed Use of Proceeds <i>(\$000s)</i>	Purchase Price (Before Closing Adjustments)	Estimated Mortgage Proceeds	Estimated Balance Required to Close
Proposed property purchases	\$ 50,900	\$ 31,670	\$ 19,230
Unallocated working capital	-	-	2,350
Totals	\$ 50,900	\$ 31,670	\$ 21,580

Actual Use of Proceeds <i>(\$000s)</i>	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Balance Required to Close
Property purchases to date	\$ 50,900 ⁽¹⁾	\$ 31,656 ⁽²⁾	\$ 19,244
Unallocated working capital	-	-	2,336
Totals	\$ 50,900	\$ 31,656	\$ 21,580

Notes:

- (1) Pure Multi completed the acquisitions of Fountainwood and Livingston, which closed on August 30, 2013, and a 20% interest in San Brisas, which closed on October 1, 2013, with the proceeds from the August 2013 Offering.
- (2) Pure Multi acquired Fountainwood, Livingston and a 20% interest in San Brisas with proceeds from the August 2013 Offering and new mortgages in the amount of \$13,000,000, \$15,900,000 and a mortgage assumed in the amount of \$2,755,967 in respect of Fountainwood, Livingston and San Brisas, respectively.

OUTLOOK

Pure Multi's management continued to execute on its previously stated growth strategy during 2013 with the acquisition of seven investment properties, comprising 1,706 high-quality apartment units. As at December 31, 2013, Pure Multi's portfolio consists of 13 investment properties, 3,614 high-quality apartment units, situated on over 3.1 million rentable square feet, located in Texas and Arizona.

During 2013, Pure Multi raised \$58 million through public offerings. In May, Pure Multi issued 7,000,000 Class A Units for gross proceeds of \$35 million. In August, Pure Multi issued 23,000 Convertible Debentures for gross proceeds of \$23 million.

Pure Multi's strategy is one of strong growth combined with steady cash distributions to unitholders. Management continues to focus on core "Sunbelt" markets within the U.S. and the acquisition of well located, quality apartment communities, with a conservative mix of medium to long-term conventional mortgage debt. In addition to growth by acquisitions, Pure Multi continues to expect strong organic growth to come from within its portfolio. During the fourth quarter of 2013, Pure Multi experienced same property revenue growth of 5.34% and same property average rental rate growth of 4.68%, compared to the same period in the prior year.

Pure Multi ended the 2013 year with a physical occupancy rate of 95.7% and a leased occupancy rate of 96.9%, over its entire portfolio. As December is typically a more difficult month in terms of leasing, management feels a more appropriate measure of occupancy would be the 2013 portfolio average rate. The portfolio average physical occupancy rate for 2013 was 96.4%, while the average leased occupancy rate was 98.1%. Management targets an annual average physical occupancy rate between 96% and 98%, as this allows for the opportunity of rent increases to be implemented throughout the year, with minimal disruption to the current occupancy rates.

Looking ahead to 2014, management believes its portfolio is positioned to continue experiencing strong organic growth, by way of rental rate increases and occupancy rates, due to the strong population and job growth in the markets in which the properties are located. Pure Multi intends to continue to acquire additional properties located in the Dallas-Fort Worth area and build on its already strong presence in one the strongest growing economies in the U.S. Additionally, Pure Multi will look to increase its presence in the Houston and Phoenix sub-markets, areas in which management has prior experience and knowledge of the multi-family sector. Management believes these markets will continue to form some of the top economic growth markets in the U.S. and will allow Pure Multi to build on the strong organic growth it has already achieved over the past year.

With the acquisitions completed during 2013, Pure Multi's platform in the U.S. consists of 83 employees, undertaking marketing, due diligence and management, at its property level. Pure Multi is well positioned to grow its platform and portfolio with future acquisitions. There continues to be a large supply of acquisition opportunities that come to the market, permitting Pure Multi to execute its growth plans with discipline. Management is excited about the growth prospects of the Pure Multi investment platform over the coming months.

SECTION II

STATEMENT OF FINANCIAL POSITION AND RESULTS OF OPERATIONS RECONCILIATION

"Pure Multi's interest" is a non-IFRS measurement representing Pure Multi's proportionate share of the financial position and results of operations of its entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Pure Multi's interest does not have any standardized meaning prescribed by IFRS.

The following tables provide reconciliations from Pure Multi's IFRS financial statements to Pure Multi's financial statements utilizing its proportionate interest in all of its portfolio holdings. There is no reconciliation provided for comparative periods, as Pure Multi did not account for its first equity-accounted investment prior to its acquisition on October 1, 2013.

Reconciliation of Consolidated Statement of Financial Position to Statement of Financial Position at Pure Multi's Interest:

As at December 31, 2013	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	Pure Multi's Interest ⁽³⁾
ASSETS			
Non-current assets			
Investment properties	\$ 332,002,818	\$ 5,600,000	\$ 337,602,818
Equity-accounted investment	2,830,709	(2,830,709)	-
	334,833,527	2,769,291	337,602,818
Current assets			
Prepaid expenses	949,752	8,883	958,635
Mortgage reserve fund	5,657,019	15,416	5,672,435
Amounts receivable	33,051	-	33,051
Cash and cash equivalents	6,673,381	66,288	6,739,669
	13,313,203	90,587	13,403,790
TOTAL ASSETS	\$ 348,146,730	\$ 2,859,878	\$ 351,006,608
LIABILITIES			
Non-current liabilities			
Mortgages payable	\$ 192,732,808	\$ 2,757,104	\$ 195,489,912
Convertible debentures	19,663,721	-	19,663,721
Preferred units of subsidiary	125,000	-	125,000
	212,521,529	2,757,104	215,278,633
Current liabilities			
Mortgages payable – current portion	797,854	45,052	842,906
Credit facility	5,280,990	-	5,280,990
Rental deposits	558,862	9,054	567,916
Unearned revenue	649,867	13,981	663,848
Accounts payable and accrued liabilities	8,544,775	34,687	8,579,462
	15,832,348	102,774	15,935,122
TOTAL LIABILITIES	228,353,877	2,859,878	231,213,755
PARTNERS' CAPITAL	119,792,853	-	119,792,853,
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 348,146,730	\$ 2,859,878	\$ 351,006,608

Notes:

- (1) Represents Pure Multi's consolidated statement of financial position prepared in accordance with IFRS.
- (2) Represents Pure Multi's proportionate share of assets and liabilities of its joint venture that is accounted for on the equity basis of accounting.
- (3) Represents Pure Multi's proportionate ownership interest in assets and liabilities of all of its portfolio investments.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Three months ended December 31, 2013	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 10,316,076	\$ 127,098	\$ 10,443,174
OPERATING EXPENSES			
Insurance	246,565	1,888	248,453
Property management	310,161	3,814	313,975
Property taxes	1,463,896	9,098	1,472,994
Property operating expenses	2,840,537	34,365	2,874,902
	4,861,159	49,165	4,910,324
NET RENTAL INCOME	5,454,917	77,933	5,532,850
NET FINANCE INCOME (EXPENSES)			
Interest income	449	-	449
Interest expense	(2,330,961)	(38,034)	(2,368,995)
Distributions to subsidiary's preferred unitholders	(3,907)	-	(3,907)
Preferred units of subsidiary offering costs	-	-	-
	(2,334,419)	(38,034)	(2,372,453)
NET OTHER INCOME (EXPENSES)			
Other income	505	-	505
General and administrative	(186,460)	-	(186,460)
Fair value adjustments to investment properties	5,759,020	(225,932)	5,533,088
Franchise taxes	(255,670)	-	(255,670)
	5,317,395	(225,932)	5,091,463
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENT	(186,033)	186,932	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 8,251,860	\$ -	\$ 8,251,860

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS.
- (2) Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for on the equity basis of accounting.
- (3) Represents Pure Multi's proportionate share of revenues and expenses of all of its portfolio investments.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Year ended December 31, 2013	Consolidated ⁽¹⁾	Pure Multi's Share of Equity-Accounted Investment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 31,455,849	\$ 127,098	\$ 31,582,947
OPERATING EXPENSES			
Insurance	760,574	1,888	762,462
Property management	942,461	3,814	946,275
Property taxes	4,890,377	9,098	4,899,475
Property operating expenses	8,583,507	34,365	8,617,872
	15,176,919	49,165	15,226,084
NET RENTAL INCOME	16,278,930	77,933	16,356,863
NET FINANCE INCOME (EXPENSES)			
Interest income	2,298	-	2,298
Interest expense	(6,525,823)	(38,034)	(6,563,857)
Distributions to subsidiary's preferred unitholders	(14,888)	-	(14,888)
Preferred units of subsidiary offering costs	(50,454)	-	(50,454)
	(6,588,867)	(38,034)	(6,626,901)
NET OTHER INCOME (EXPENSES)			
Other income	6,101	-	6,101
General and administrative	(617,168)	-	(617,168)
Fair value adjustments to investment properties	5,564,915	(225,932)	5,338,983
Franchise taxes	(255,670)	-	(255,670)
	4,698,178	(225,932)	4,472,246
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENT	(186,033)	186,932	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 14,202,208	\$ -	\$ 14,202,208

Notes:

- (1) Represents Pure Multi's consolidated statement of income and comprehensive income prepared in accordance with IFRS.
- (2) Represents Pure Multi's proportionate share of revenues and expenses of its joint venture that is accounted for on the equity basis of accounting.
- (3) Represents Pure Multi's proportionate share of revenues and expenses of all of its portfolio investments.

RESULTS OF OPERATIONS

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Revenues				
Rental	\$ 31,583	\$ 6,071	\$ 10,443	\$ 4,746
Operating expenses				
Insurance	762	161	248	117
Property management	946	182	314	143
Property taxes	4,899	818	1,473	670
Property operating expenses	8,618	1,813	2,875	1,321
	15,226	2,974	4,910	2,251
Net Rental Income	16,357	3,097	5,533	2,495
Net Finance Income (Expense)				
Interest income	2	4	-	2
Interest expense	(6,564)	(1,163)	(2,369)	(944)
Distributions to subsidiary's preferred unitholders	(15)	-	(4)	-
Preferred units of subsidiary offering costs	(50)	-	-	-
	(6,627)	(1,159)	(2,372)	(942)
Other Income (Expense)				
Other income	6	17	1	-
General and administrative	(617)	(147)	(186)	(67)
Fair value adjustments to investment properties	5,339	(108)	5,533	(48)
Franchise taxes	(256)	-	(256)	-
	4,472	(238)	5,091	(115)
Net Income and Comprehensive Income	\$ 14,202	\$ 1,700	8,252	\$ 1,438
Earnings per Class A unit – basic and diluted	\$ 0.62	\$ 0.12	\$ 0.33	\$ 0.09
Weighted average number of Class A units – basic and diluted	21,653,384	13,941,459	24,089,000	16,056,250
Earnings per Class B unit – basic and diluted	\$ 3.55	\$ 0.42	\$ 2.06	\$ 0.36
Weighted average number of Class B units – basic and diluted	200,000	200,000	200,000	200,000

During the year ended December 31, 2013, based on Pure Multi's interest, Pure Multi recorded rental revenue of \$31,582,947, net rental income of \$16,356,863 and net income of \$14,202,208 from its investment properties, compared to \$6,070,765, \$3,096,381 and \$1,699,573, respectively, during the date of formation on May 8, 2012 to December 31, 2012 ("period ended December 31, 2012"). During the year ended December 31, 2013, based on Pure Multi's interest, Pure Multi incurred \$617,168 of general and administrative expenses (period ended December 31, 2012 - \$147,022), a fair value adjustment gain to investment properties of \$5,338,983 (period ended December 31, 2012 - loss of \$108,169) and franchise tax expense of \$255,670 (period ended December 31, 2012 - \$nil). The increase in revenues, expenses and net income are mostly attributable to Pure Multi operating for a full year during 2013, compared to a partial period in the prior year, and acquiring and operating additional investment properties in the current year compared to the prior year.

Pure Multi's loan to gross book value ratio increased to 64.0% at December 31, 2013 from 57.4% at December 31, 2012 and its distribution payout ratio on Distributable Income was 99.2% for the year ended December 31, 2013 (period ended December 31, 2012 - 150.2%). For further clarity, the Pure Multi's loan to gross book value ratio is defined as the ratio between Pure Multi's overall borrowed money, including the face amount outstanding of any convertible debentures, and the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. Pure Multi defines distribution payout ratio as the percentage of Distributable Income that is paid out to unitholders. As described under "Operational and Financial Highlights", the payout ratio on Distributable Income was higher than normal due to the proceeds from the public offerings not being fully invested throughout the year ended December 31, 2013 and the period ended December 31, 2012. Management expects payout ratios to decrease once excess working capital is applied to acquire additional investment properties. For additional information, see "Liquidity and Capital Resources - Distributed Cash".

Rental Revenue

Rental revenue from investment properties includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements.

Operating Expenses

Operating expenses include costs relating to such items as cleaning, building repairs and maintenance, elevator, HVAC, property payroll, insurance, property taxes, utilities and property management fees among other items. The following table illustrates operating expenses as a percentage of total operating expenses:

	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
<i>Pure Multi's interest</i>				
Insurance	5.0%	5.4%	5.1%	5.2%
Property management	6.2%	6.1%	6.4%	6.3%
Property taxes	32.2%	27.5%	30.0%	29.8%
Property operating expenses	56.6%	61.0%	58.5%	58.7%
	100.0%	100.0%	100.0%	100.0%

Finance Income

Finance income consists of interest income which was earned from bank deposits at Pure Multi and the property level.

Finance Expenses

Finance expenses consist of interest expense, distributions to subsidiary preferred unitholders and preferred units of subsidiary offering costs (see “Financial Condition – Preferred Units”). Pure Multi declared distributions in the amount of \$14,888 to the subsidiary preferred unitholders during the year ended December 31, 2013 (period ended December 31, 2012 - \$nil). Preferred units of subsidiary offering costs are the costs incurred by Pure Multi that relate to the issuance of subsidiary preferred units. During the year ended December 31, 2013, Pure Multi incurred preferred units of subsidiary offering costs of \$50,454 (period ended December 31, 2012 - \$nil).

Interest Expense

Interest expense consists of mortgage interest, convertible debenture interest, credit facility interest, amortization of transaction costs and amortization of mark to market mortgage adjustment.

The weighted average interest rate on the mortgages, based on Pure Multi’s interest, is 4.12% per annum as at December 31, 2013 (December 31, 2012 – 4.23%) and the mortgages mature between 2017 and 2028 with a weighted average mortgage term of 8.0 years remaining (December 31, 2012 – 7.3 years remaining). Pure Multi intends to refinance any mortgages which mature within six months of the maturity date.

General and Administrative Expenses

General and administrative expenses are primarily comprised of directors’ fees, directors’ and officers’ liability insurance, professional fees, legal fees, filing fees, and administrative expenses. Professional fees include auditing and tax fees. Administrative expenses include US REIT compliance expenditures, investor relations expenses and bank charges. For the year ended December 31, 2013, total general and administrative expenses amounted to 2.0% of rental revenue (period ended December 31, 2012 – 2.4%). Pursuant to the Asset Management Agreement with the Managing GP, as described under “Related Party Transactions”, Pure Multi will not compensate the Managing GP for any remuneration or compensation for its services, which includes providing asset management, administrative and reporting services. 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 following table illustrates corporate expenses as a percentage of overall general and administrative expenses:

	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Insurance	4.7%	9.3%	3.9%	10.7%
Professional fees	53.3%	40.8%	50.1%	29.8%
Legal and filing fees	12.0%	12.7%	19.9%	5.5%
Director’s fees	10.9%	18.0%	14.6%	23.2%
Administrative expenses	19.1%	19.2%	11.5%	30.8%
	100.0%	100.0%	100.0%	100.0%
As a percentage of rental revenue	2.0%	2.4%	1.8%	1.4%

Other Income (Expense)

Other income (expense), is income (expense) incurred on foreign exchange gains (losses) incurred by Pure Multi as a minor amount of transactions occur in Canadian dollars while cash and cash equivalents are held in United

States dollars. During the year ended December 31, 2013, Pure Multi earned \$6,101 in other income (period ended December 31, 2012 - \$17,058).

Fair Value Adjustment to Investment Properties

As Pure Multi revalues its investment properties at fair value each reporting date, it records the fair value adjustments as an income or expense item. For the year ended December 31, 2013, based on Pure Multi's interest, Pure Multi had a positive fair value adjustment to income of \$5,338,983 (period ended December 31, 2012 – negative adjustment of \$108,169). The weighted average capitalization rate of the investment properties at December 31, 2013, based on Pure Multi's interest, was 6.16% (December 31, 2012 – 6.01%). This fair value adjustment was mostly due to an increase in stabilized net operating income at the investment properties compared to the prior year.

Income Taxes

Pure Multi is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner (or "unitholder") 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.

Franchise Taxes

Texas Franchise Tax applicable to Pure Multi, for its investment properties operated in Texas, is equal to 1% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; or (iii) 100% of total revenue less compensation expense. Pure Multi recorded a provision for Texas Franchise Tax of \$255,670 for the year ended December 31, 2013 (period ended December 31, 2012 - \$nil).

Offering Costs

Offering costs are the costs incurred by Pure Multi that relate to the issuance of Class A Units, which are included in equity. During the year ended December 31, 2013, Pure Multi incurred offering costs of \$2,350,475 (period ended December 31, 2012 - \$7,056,731).

Distributions to Limited Partners

Pure Multi declared distributions in the amount of \$7,952,485 to Class A unitholders and \$418,552 to Class B unitholders during the year ended December 31, 2013 (period ended December 31, 2012 - \$1,614,594 and \$84,979, respectively).

DISTRIBUTABLE INCOME

Pure Multi uses Distributable Income ("DI") to measure its ability to earn and distribute cash to unitholders. DI is a non-IFRS measurement and should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of Pure Multi's performance. DI as computed by Pure Multi may differ from similar computations as reported by other similar business entities and, accordingly, may not be comparable to DI as reported by such business entities. DI does not have any standardized meaning prescribed by IFRS. Management calculates DI by adding to or deducting the following items from net cash from operating activities: non-cash working capital items, interest income, interest expense, distributions to preferred unitholders and preferred unit offering costs.

<i>Pure Multi's interest (\$000s, except per unit basis)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Net cash provided from operating activities	\$ 19,998	\$ 5,442	\$ 5,577	\$ 3,546
Adjustment:				
Changes in non-cash operating working capital	(4,507)	(2,475)	(485)	(1,118)
Interest income	2	4	-	2
Interest expense	(6,990)	(1,240)	(2,438)	(1,026)
Distributions to subsidiary's preferred unitholders	(15)	-	(4)	-
Preferred units of subsidiary offering costs	(51)	-	-	-
Distributable Income	\$ 8,437	\$ 1,731	\$ 2,650	\$ 1,404
Class A units	8,015	1,644	2,517	1,334
Class B units	422	87	133	70
Distributions to Unitholders				
Class A units	\$ 7,952	\$ 2,469	\$ 2,258	\$ 1,538
Class B units	419	130	119	81
Total distributions paid	\$ 8,371	\$ 2,599	\$ 2,377	\$ 1,619
Total distributions paid as a % of Distributable Income ⁽¹⁾	99.2%	150.2%	89.7%	115.3%
Weighted average number of units (000s)				
Class A units	21,653	13,941	24,089	16,056
Class B units	200	200	200	200
Diluted weighted average number of units (000s)				
Class A units	20,833	13,941	24,089	16,056
Class B units	200	200	200	200
Basic DI per unit				
Class A units	\$ 0.37	\$ 0.12	\$ 0.10	\$ 0.08
Class B units	2.11	0.43	0.66	0.35
Diluted DI per unit				
Class A units	0.37	0.12	0.10	0.08
Class B units	2.11	0.43	0.66	0.35
Distributions paid per unit				
Class A units	0.37	0.18	0.09	0.10
Class B units	2.09	0.65	0.59	0.40

Notes:

⁽¹⁾ Payout ratios are higher than normal due to excess working capital from unit offerings. Management expects payout ratios to decrease once excess working capital is applied to acquire additional investment properties. See "Liquidity and Capital Resources – Distributed Cash".

Pure Multi may distribute to unitholders on each distribution date such percentage of the DI of Pure Multi for the month immediately preceding the month in which the distribution date falls, as the board of directors of the Governing GP may determine at their discretion. Currently, the board of directors of the Governing GP intends to make an annual cash distribution to unitholders of \$0.375 per Class A Unit. Monthly distributions will be paid on the distribution date to unitholders of record on the last business day of such month. See “Financial Condition – Partners’ Capital”.

The board of directors of the Governing GP looks beyond quarter-to-quarter fluctuations in working capital when making decisions regarding monthly distributions. As a result, management believes that the measure of DI, which excludes the impact of changes in non-cash working capital, is a better measure for determining operating performance. Management believes that the calculation of Standardized Distributable Cash, defined as cash flow from operations, distorts Pure Multi’s quarter-to-quarter distributable cash and payout ratios, as non-cash operating working capital fluctuates.

For the purpose of this MD&A, management defines “Diluted DI per unit” as Distributable Income divided by the diluted weighted average number of units outstanding.

STANDARDIZED DISTRIBUTABLE CASH

The following is a reconciliation of Pure Multi’s DI to standardized distributable cash.

<i>Pure Multi’s interest (\$000s)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Distributable income	\$ 8,437	\$ 1,731	\$ 2,650	\$ 1,404
Interest income	(2)	(4)	-	(2)
Interest expense	6,990	1,240	2,438	1,025
Distributions to subsidiary’s preferred unitholders	15	-	4	-
Preferred units of subsidiary offering costs	51	-	-	-
(Increase) decrease in amounts receivable	329	(363)	100	56
(Increase) decrease in prepaid expenses	(547)	(411)	(492)	(313)
Increase (decrease) in rental deposits	333	234	24	143
Increase (decrease) in unearned revenue	565	99	238	83
Increase (decrease) in accounts payable and accrued liabilities	3,827	2,916	615	1,150
Standardized Distributable Cash (net cash from operating activities)	\$ 19,998	\$ 5,442	\$ 5,577	\$ 3,546

SEGMENTED INFORMATION

Pure Multi currently operates in one business segment, the owning and operating of multifamily apartment properties in the Sunbelt region 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.

FINANCIAL CONDITION

Assets

Investment Properties

Investment properties are stated at fair value. Fair value adjustments to investment properties arising from changes in fair values are included in the statement of income and comprehensive income in the year which they arise.

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

Prepaid Expenses

Prepaid expenses primarily consist of insurance, utility deposits and property taxes.

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. As at December 31, 2013, the term for the current mortgage reserve fund is less than 12 months. The amortized cost of the mortgage reserve fund is \$5,672,435, based on Pure Multi's interest, as at December 31, 2013, (December 31, 2012 - \$2,984,517).

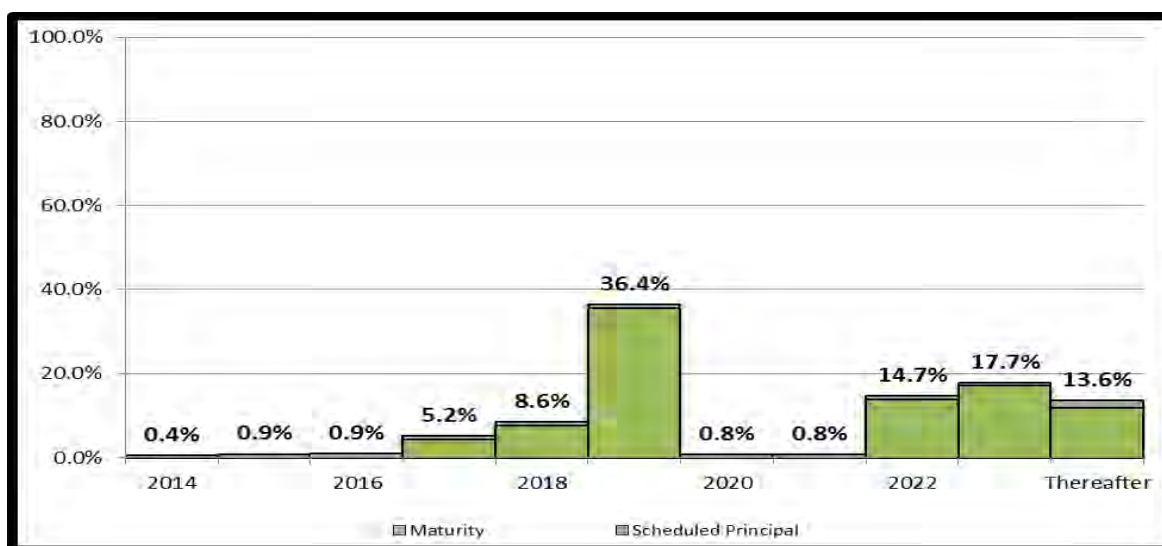
Liabilities

The LP Agreement limits the indebtedness of Pure Multi to a maximum of 70% of the gross book value. The gross book value is defined as the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. The indebtedness is 64.0% of the gross book value as at December 31, 2013 (December 31, 2012 – 57.4%).

Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 4.12%, based on Pure Multi's interest, as at December 31, 2013 (December 31, 2012 – 4.23%) and mature between 2017 and 2028. The scheduled mortgage payments, principal maturities and weighted average effective rate are as follows:

<i>Pure Multi's interest</i> December 31, 2013 <i>(\$000s)</i>	<i>Weighted Average</i> <i>Effective Rate</i> <i>(on expiry)</i>	Scheduled Principal Repayment	Principal Maturities	Total Repayments
2014	-	\$ 843	\$ -	\$ 843
2015	-	1,656	-	1,656
2016	-	1,859	-	1,859
2017	3.28%	1,889	8,209	10,098
2018	3.51%	2,019	14,614	16,633
2019	4.68%	1,665	69,087	70,752
2020	-	1,508	-	1,508
2021	-	1,572	-	1,572
2022	3.53%	1,572	26,955	28,527
2023	4.13%	1,074	33,317	34,391
Thereafter	3.90%	3,222	23,099	26,321
	4.12%	\$ 18,879	\$ 175,281	194,160
Unamortized mortgage transaction costs				(1,926)
Unamortized mark to market mortgage adjustment				4,099
				\$ 196,333



Preferred Units

During the year ended December 31, 2013, the US REIT issued 125 preferred units at \$1,000 per unit for gross proceeds of \$125,000. On consolidation, the preferred units of the US REIT become the preferred units of Pure Multi.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the US REIT at a per annum rate equal to 12.5%, payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the US REIT. However, after payment of such return to

unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the US REIT.

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accumulated and unpaid distributions and a redemption premium if the preferred units are redeemed before January 1, 2015. The redemption premium is equal to \$100 per preferred unit if redemption occurs on or before December 31, 2014. There is no redemption premium for redemptions after December 31, 2014.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the board of directors of the Governing GP does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

Convertible Debentures

On August 7, 2013, Pure Multi issued \$23,000,000 of 6.5% convertible unsecured subordinated debentures (the “6.5% convertible debentures” or “Convertible Debentures”) due on September 30, 2020. The 6.5% convertible debentures are convertible at the holder’s option at any time into Class A Units at a conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi at any time. During the year ended December 31, 2013, none of the 6.5% convertible debentures have been converted into Class A Units. At December 31, 2013, \$23,000,000 of the face value of the 6.5% convertible debentures was outstanding.

The following summarizes the face and carrying values of the 6.5% convertible debentures at December 31, 2013:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Issuance on August 7, 2013	\$ 20,886,300	\$ 20,886,300	\$ 2,113,700
Transaction costs	-	(1,267,500)	(128,271)
Amortization of transaction costs	-	44,921	-
Balance as at December 31, 2013	\$ 20,886,300	\$ 19,663,721	\$ 1,985,429

Credit Facility

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of \$9,900,000, bearing interest at a variable interest rate based at 2.00% plus the London Interbank Offered Rate (“LIBOR”). At December 31, 2013, Pure Multi had drawn down \$5,396,485 of the revolving credit facility bearing an interest rate at 2.1675%. The revolving credit facility is secured by a general assignment of any monies held in reserve accounts and matures on July 19, 2016.

Partners’ Capital

The capital of Pure Multi consists of an unlimited number of Class A Units and Class B 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.

From the date of formation on May 8, 2012 to December 31, 2012 (“period ended December 31, 2012”), the Managing GP subscribed for 200,000 Class B Units of Pure Multi, at a price of \$5.00 per Class B Unit, for gross

proceeds to Pure Multi of \$1,000,000, which entitles the Class B Unitholders, initially, a 5% interest in Pure Multi. Pure Multi did not issue any additional Class B Units during the year ended December 31, 2013.

During the period ended December 31, 2012, Pure Multi issued 17,089,000 Class A Units of Pure Multi, for gross proceeds of \$86,283,350, less offering costs. During the year ended December 31, 2013, Pure Multi issued an additional 7,000,000 Class A Units of Pure Multi, for gross proceeds of \$35,000,000, less offering costs.

As at December 31, 2013, Pure Multi has 24,089,000 Class A Units and 200,000 Class B Units outstanding.

The capital of Pure Multi is divided into Class A Units and Class B Units. The Class A Units are the subject of the public offerings described in the Prospectus' dated July 3, 2012, October 12, 2012 and May 1, 2013. The Class B Units were subscribed for by the Managing GP on May 30, 2012. Except as set out in the LP Agreement, 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, as described below. Following the occurrence of a Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising the Conversion Rights attached thereto 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 described 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 (as defined in the LP Agreement). 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 Class A Units at the Specified Ratio, as defined in LP Agreement, 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.

LIQUIDITY AND CAPITAL RESOURCES

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") is a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry and Pure Multi has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"). Pure Multi's method of calculating FFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The use of FFO, combined with the required IFRS presentations, has been presented for the purpose of improving the understanding of operating results in the real estate industry by the investing public and in making comparisons of the companies operating results more meaningful.

As FFO excludes fair value adjustments, amortization, and gains and losses from property dispositions, it provides a performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes; acquisition activities; and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate entities; however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one measure of operating performance.

Adjusted funds from operations ("AFFO") is also a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting the FFO for non-cash compensation items, and maintenance capital expenditures. Pure Multi's method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The following table provides the analysis of Pure Multi's FFO and AFFO performance:

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Net income and comprehensive income	\$ 14,202	\$ 1,700	\$ 8,252	\$ 1,438
Adjustment:				
Amortization of transaction costs	242	31	104	27
Amortization of mark to market mortgage adjustments	(669)	(108)	(173)	(108)
Valuation (gain) loss from investment properties	(5,339)	108	(5,533)	47
Funds from operations	\$ 8,437	\$ 1,731	\$ 2,650	\$ 1,404
Maintenance capital provision ⁽¹⁾	(826)	(169)	(271)	(124)
Capital expenditures (recoveries) related to acquisition of investment properties ⁽¹⁾	80	-	34	-
Adjusted funds from operations	\$ 7,691	\$ 1,562	\$ 2,413	\$ 1,280
Weighted average number of units (000s)				
Class A units	20,653	13,941	24,089	16,056
Class B units	200	200	200	200
Diluted weighted average number of units (000s)				
Class A units	20,653	13,941	24,089	16,056
Class B units	200	200	200	200
FFO per unit - Basic				
Class A units	\$ 0.37	\$ 0.12	\$ 0.10	\$ 0.08
Class B units	2.11	0.43	0.66	0.35
FFO per unit - Diluted				
Class A units	\$ 0.37	\$ 0.12	\$ 0.10	\$ 0.08
Class B units	2.11	0.43	0.66	0.35
Payout Ratio on FFO ⁽²⁾	99.2%	150.2%	89.7%	115.3%
AFFO per unit - Basic				
Class A units	\$ 0.34	\$ 0.11	\$ 0.10	\$ 0.08
Class B units	1.92	0.39	0.60	0.32
AFFO per unit - Diluted				
Class A units	\$ 0.34	\$ 0.11	\$ 0.10	\$ 0.08
Class B units	1.92	0.39	0.60	0.32
Payout Ratio on AFFO ⁽²⁾	108.8%	166.4%	98.5%	126.5%

Notes:

⁽¹⁾ Based on an industry estimate of \$300 per residential unit per year. This maintenance capital provision is estimated to be incurred on the property portfolio as to sustain its current revenue rental income-generating potential into future periods. Pure Multi does not include capital expenditures that increase the value of the current rental revenue, or initial capital expenditures that are required to be performed upon acquisition of an investment property.

⁽²⁾ Payout ratios are higher than normal due to excess working capital from unit offerings. Management expects payout ratios to decrease once excess working capital is applied to acquire additional investment properties. See "Liquidity and Capital Resources - Distributed Capital".

The following is a reconciliation of the Pure Multi's FFO to cash provided by operations:

<i>Pure Multi's interest (\$000s)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Funds from operations	\$ 8,437	\$ 1,731	\$ 2,650	\$ 1,404
(Increase) decrease in accounts receivable	329	(363)	100	56
(Increase) decrease in prepaid expenses	(547)	(411)	(492)	(313)
Increase (decrease) in rental deposits	333	234	24	143
Increase (decrease) in accounts payable and accrued liabilities	3,827	2,916	615	1,150
Increase (decrease) in unearned revenue	565	99	238	83
Interest income	(2)	(4)	-	(2)
Interest expense	6,990	1,240	2,438	1,025
Distributions to subsidiary's preferred unitholders	15	-	4	-
Preferred units of subsidiary offering costs	51	-	-	-
Net cash provided from operating activities	\$ 19,998	\$ 5,442	\$ 5,577	\$ 3,546

Capital Resources

Cash collected from issuing Class A Units and Convertible Debentures, proceeds from the new mortgages, mortgage assumption and the revolving credit facility obtained, and the cash generated by investment properties represent the primary source of funds to fund total distributions to limited partners of \$8,371,037 for the year ended December 31, 2013 (period ended December 31, 2012 - \$2,599,484).

There are no significant working capital requirements that currently exist and there are no pending items that may affect liquidity. There are no legal or practical restrictions on the ability of Pure Multi's properties to transfer funds to Pure Multi.

Proceeds from the issuance of Class A Units, Convertible Debentures, a revolving credit facility and conventional mortgage financing have been used mainly to fund property acquisitions. Pure Multi intends to refinance any mortgages which mature within six months.

Management expects to be able to meet all of Pure Multi's ongoing obligations and to finance future growth through cash generated by operations, the issuance of securities and by using conventional mortgages. Pure Multi is not in default or arrears on any of its obligations including distribution payments, interest or principal payments on debt.

Distributed Cash

In accordance with National Instrument 41-201, Pure Multi is required to provide additional disclosure relating to cash distributions.

For the year ended December 31, 2013, cash provided from operating activities was more than cash distributions declared. Management expects that cash provided from operating activities will continue to exceed cash distributions declared.

<i>Pure Multi's interest</i> (<i>\$000s</i>)	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Cash provided from operating activities	\$ 19,998	\$ 5,442	\$ 5,577	\$ 3,546
Actual cash distributions paid or payable	8,371	2,599	2,377	1,619
Excess of cash provided from operating activities over cash distributions paid	\$ 11,627	\$ 2,843	\$ 3,200	\$ 1,927

For the year ended December 31, 2013, net income was more than cash distributions declared. Management expects net income to continue to exceed cash distributions declared.

<i>Pure Multi's interest</i> (<i>\$000s</i>)	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Net income	\$ 14,202	\$ 1,700	\$ 8,252	\$ 1,438
Actual cash distributions paid or payable	8,371	2,599	2,377	1,619
Surplus (shortfall) of net income over cash distributions paid	\$ 5,831	\$ (899)	\$ 5,875	\$ (181)

CAPITAL STRUCTURE

Pure Multi defines capital as the aggregate of partners' capital, preferred units of subsidiary and long term debt. 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.

The LP Agreement provides for a maximum indebtedness (or "loan") level of up to 70% of the gross book value. The term "indebtedness" means any obligation of Pure Multi for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by Pure Multi for which Pure Multi has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines "gross book value" as the book value of the assets of Pure Multi plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi. Pure Multi's indebtedness is 64.0% as at December 31, 2013 (December 31, 2012 - 57.4%).

Maintaining a relatively low indebtedness ratio is important in current economic conditions because it allows Pure Multi to access additional financing, if necessary.

The LP Agreement allows the board of directors of the Governing GP, at their discretion, to allocate to the unitholders in each year all or a portion of Pure Multi's income for the year, as calculated in accordance with the Tax Act, after all permitted deductions under the Tax Act have been taken. The board of directors of the Governing GP also reviews the cash distribution paid to the unitholders on a regular basis. The total distributions declared to Class A unitholders during the year ended December 31, 2013 was \$7,952,485 (period ended December 31, 2012 - \$2,469,510). The total distributions declared to Class B unitholders during the year ended December 31, 2013 was \$418,552 (period ended December 31, 2012 - \$129,974).

Pure Multi is in compliance with all restrictions during the year ended December 31, 2013 and the period ended December 31, 2012.

The capital structure consisted of the following components at December 31, 2013 and December 31, 2012:

<i>Pure Multi's interest</i> <i>(\$000s)</i>	December 31, 2013	December 31, 2012	Change
Capital			
Mortgages payable	\$ 196,333	\$ 111,665	\$ 84,668
Convertible debentures	19,664	-	19,664
Preferred units of subsidiary	125	-	125
Partners' capital	119,793	79,327	40,466
Total Capital	\$ 335,915	\$ 190,992	\$ 144,923

The total capital of Pure Multi increased during the year ended December 31, 2013 due to the issuance of Class A Units and Convertible Debentures, proceeds of mortgages related to acquisitions, the issuance of preferred units of subsidiary and net income earned from operations. These increases were offset by the repayment of mortgage principal and distributions to unitholders.

FINANCIAL INSTRUMENTS

For certain of Pure Multi's financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, credit facility, 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 and preferred units 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 fair value of the convertible debentures has been calculated using quoted prices in active markets.

<i>Pure Multi's interest</i> <i>(\$000s)</i>	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 196,333	\$ 201,598	\$ 111,665	\$ 113,740
Preferred units of subsidiary	125	125	-	-
Convertible debentures	19,664	21,390	-	-
Credit facility	5,281	5,281	-	-
Accounts payable and accrued liabilities	8,545	8,545	3,311	3,311
Mortgage reserve fund	5,672	5,672	2,985	2,985
Amounts receivable	33	33	363	363
Cash and cash equivalents	6,673	6,673	14,961	14,961

OFF-BALANCE SHEET ITEMS

Pure Multi does not have any off-balance sheet items.

SECTION III

SUMMARY OF SELECTED ANNUAL INFORMATION

<i>Pure Multi's interest</i> <i>(\$000s, except per unit basis)</i>	For the year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
Rental revenue	\$31,583	\$ 6,071
Net rental income	16,357	3,097
Net income and comprehensive income	14,202	1,700
Total assets	351,007	194,636
Total non-current assets	337,603	175,916
Total liabilities	231,213	115,309
Total non-current liabilities	215,279	111,188
Distributions	8,371	2,599
Per Class A Unit	\$ 0.37	\$ 0.18
Per Class B Unit	\$ 2.09	\$ 0.65
Basic and diluted net income per Class A Unit	\$ 0.62	\$ 0.12
Basic and diluted net income per Class B Unit	\$ 3.55	\$ 0.42

Pure Multi's total assets and liabilities have increased significantly over the past year due to the acquisition of investment properties. As at December 31, 2013, Pure Multi held 13 investment properties comprising 3,614 rentable units and 3,145,166 gross rentable square feet, compared to six investment properties with 1,908 rentable units and 1,699,315 gross rentable square feet as at December 31, 2012.

Total rental revenue from the properties was \$31.6 million in 2013 compared to \$6.1 million in 2012. This increase is reflective of the increase in the number of investment properties coupled with having a full operating year during 2013 compared to a partial operating period during 2012.

SUMMARY OF QUARTERLY RESULTS

During the three months ended December 31, 2013, based on Pure Multi's interest:

- Assets increased to \$351,006,608 from \$341,174,492 as at September 30, 2013. This increase was primarily due to the acquisition of the 20% interest of the San Brisas investment property for \$5.6 million coupled with the fair value increase on the overall investment portfolio. As at December 31, 2013, Pure Multi had cash and cash equivalents of \$6,739,669 compared to \$9,662,724 as at September 30, 2013. The decrease was primarily due to the acquisition of San Brisas and distributions to unitholders, partially offset by cash generated from the investment properties.
- Liabilities increased to \$231,213,755 from \$227,254,236 as at September 30, 2013. This increase was primarily due to the mortgage assumed in connection with the acquisition of San Brisas.

- Partners' capital increased to \$119,792,853 from \$113,920,256 as at September 30, 2013. This increase was due to net income earned by Pure Multi during the period, and was partially offset by the distributions declared to unitholders.
- Earned rental revenue of \$10,443,174 from investment properties held during the quarter (three months ended December 31, 2012 - \$4,745,907). These properties incurred operating expenses of \$4,910,324, resulting in net rental income of \$5,532,850 during the same period (three months ended December 31, 2012 - \$2,251,248 and \$2,494,659, respectively). The significant increase in rental revenue, operating expenses and net rental income was as a result of Pure Multi operating additional investment properties in the current period compared to the comparative period.
- Incurred interest expense of \$2,368,995 and distributions to subsidiary's preferred unitholders of \$3,907 (three months ended December 31, 2012 - \$944,487 and \$nil, respectively). This was partially offset by interest income earned of \$449, resulting in net finance expenses of \$2,372,453 during the same period (three months ended December 31, 2012 - \$2,087 and \$942,400, respectively). The significant increases in net finance expenses was a direct result the additional number of mortgages and investment properties operated by Pure Multi in the current period compared to the comparative period.
- Incurred general and administrative expenses of \$186,460 and had a fair value gain on investment properties of \$5,533,088 (three months ended December 31, 2012 - \$67,074 and a fair value loss of \$47,581, respectively). The increase in general and administrative expenses is primarily due to additional fees incurred as a result of operating additional investment properties.

During the three months ended December 31, 2013, based on Pure Multi's interest, Pure Multi had net income of \$8,251,860 (three months ended December 31, 2012 - \$1,437,602), as a result of the above transactions.

<i>Pure Multi's interest</i> Quarter ended <i>(\$000s, except per unit amounts)</i>	December 31, 2013	September 30, 2013	June 30, 2013
Rental revenue	\$ 10,443	\$ 9,269	\$ 6,371
Operating expenses	4,910	4,461	3,296
Net rental income	5,533	4,808	3,075
Interest expense	(2,369)	(1,954)	(1,206)
General and administrative expenses	(186)	(156)	(152)
Net income and comprehensive income	8,252	2,609	1,647
Basic net income per unit			
Class A units	0.33	0.10	0.07
Class B units	2.06	0.65	0.41

<i>Pure Multi's interest</i> Quarter ended (<i>\$000s, except per unit amounts</i>)	March 31, 2013	December 31, 2012	September 30, 2012	From date of formation May 8, 2012 to June 30, 2012
Rental revenue	\$ 5,500	\$ 4,746	\$ 1,325	\$ -
Operating expenses	2,560	(2,251)	(723)	-
Net rental income	2,940	2,495	602	-
Interest expense	(1,034)	(944)	(219)	-
General and administrative expenses	(122)	(67)	(80)	-
Net income and comprehensive income	1,695	1,438	262	-
Basic net income per unit				
Class A units	0.09	0.09	0.02	-
Class B units	0.42	0.36	0.07	-

<i>Pure Multi's interest</i> As at (<i>\$000s</i>)	December 31, 2013	September 30, 2013	June 30, 2013
Total assets	\$ 351,007	\$ 341,174	\$ 282,265
Total liabilities	231,214	227,254	170,402
Partners' capital	119,793	113,920	111,863
Investment properties	337,603	325,725	262,943
Mortgages payable	196,333	193,795	165,380

<i>Pure Multi's interest</i> As at (<i>\$000s</i>)	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Total assets	\$ 202,321	\$ 194,636	\$ 97,709	\$ 1,000
Total liabilities	122,919	115,309	45,014	-
Partners' capital	79,403	79,327	52,695	1,000
Investment properties	193,469	175,916	69,183	-
Mortgages payable	119,997	111,665	43,061	-

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Pure Multi's significant accounting policies are described in note 3 to the December 31, 2013 audited consolidated financial statements.

The policies that are most subject to estimation and judgment are outlined below.

Valuation of Investment Properties

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

The determination of the fair value of investment property 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) and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

Management reviews each appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches. Management does not expect to obtain appraisals for each property at each reporting date. Where an appraisal is not obtained at the reporting date, management uses similar valuation methods to evaluate each investment property and estimates the fair value.

FUTURE ACCOUNTING CHANGES

Pure Multi's significant accounting policies are described in note 3 to the December 31, 2013 audited consolidated financial statements, available on SEDAR at www.sedar.com or on Pure Multi's website at www.puremultifamily.com.

Adoption of new accounting policies

(a) IFRS 10 – Consolidated financial statements

As a result of the adoption of IFRS 10, Pure Multi has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if Pure Multi controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, Pure Multi re-assessed the control conclusion for its investees at January 1, 2013. Based on this assessment, the adoption of IFRS 10 does not change Pure Multi's conclusions around control of its investee. Therefore, no adjustments to previous accounting for investees are required in the consolidated financial statements.

(b) IFRS 11 – Joint arrangements

As a result of the adoption of IFRS 11, Pure Multi has changed its accounting policy with respect to interests in joint arrangements.

Under IFRS 11, Pure Multi classifies its interests in joint arrangements as either joint operations or joint ventures depending on Pure Multi's rights to the assets and obligations for the liabilities of the arrangement. Prior to January 1, 2013, Pure Multi was not party to a joint arrangement. Therefore, the adoption of IFRS 11 does not have an impact on Pure Multi's consolidated financial statements, as previously reported.

(c) IFRS 12 – Disclosure of Interests in Other Entities

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of IFRS 12 currently has no impact on Pure Multi's consolidated financial statements, however, Pure Multi will disclose the information as required when it enters into such arrangements.

(d) IFRS 13 – Fair value measurement

In accordance with the transitional provisions, IFRS 13 has been applied prospectively from its effective date of January 1, 2013. As a result, Pure Multi has adopted a new definition of fair value which measures the fair value of an asset or liability based on assumptions that market participants would use under current market conditions, including assumptions about risks. The adoption of IFRS 13 had no impact on the measurement of Pure Multi's assets and liabilities at January 1, 2013. However, Pure Multi has included new disclosure in note 18 to the audited consolidated financial statements for the year ended December 31, 2013, which are required under IFRS 13.

(e) Amendments to IAS 1 – Presentation of financial statements

The amendments to International Accounting Standard (“IAS”) 1, Presentation of Financial Statements, require items of other comprehensive income and the corresponding tax expense to be grouped based on whether they will or will not be classified to the statement of earnings in the future. The adoption of the amendments to IAS 1 does not change the presentation of Pure Multi's other comprehensive income.

Standards issued but not yet effective

(f) IFRS 9 - Financial instruments

In November 2009, as part of the IASB's project to replace 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.

(g) IAS 32 – Financial instruments: presentation

In December 2011, the IASB made amendments to IAS 32, Financial Instruments. The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amended version of IAS 32 is effective for Pure Multi's year-end beginning January 1, 2014, with early adoption permitted. The adoption of the amendment to IAS 32 is not expected to have a significant impact on Pure Multi's consolidated financial statements.

(h) IAS 21 – Levies

In May 2013, the IASB issued IFRIC interpretation 21, Levies, which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The adoption of this new standard will not have any material impacts on the Pure Multi's consolidated financial statements.

SECTION V

RISKS AND UNCERTAINTIES

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing whereas local conditions would relate to

factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over- supply of space or a reduction in demand for real estate. Management attempts to manage these risks by acquiring investment properties in various cities with strong economic and growth indicators, and engaging property management groups with local knowledge and experience.

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 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:

Interest Rate and Financial 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 financial 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. Pure Multi minimizes interest rate risk by obtaining long-term, fixed rate mortgages whenever possible. It targets a conservative ratio of debt to gross book value within the range of 55% to 65% and is restricted under the LP Agreement to a maximum of 70%. The credit facility is the only financial instrument that bears interest at a variable rate, as currently all mortgages payable bear interest at fixed rates; therefore Pure Multi currently is not exposed to significant interest rate risk.

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

<i>Pure Multi's interest</i>	Face Value	
	December 31, 2013	December 31, 2012
Fixed rate instruments		
Mortgages payable	\$ 194,160,399	\$ 108,338,765
Convertible debentures	23,000,000	-
Preferred units	125,000	-
	217,285,399	108,338,765
Variable rate instruments		
Credit facility	5,396,485	-

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, through the US REIT, minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process. In addition, there is no concentration of credit risk due to the large number of individual tenants.

Currency Risk

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

Lease Rollover Risk

Lease rollover risk arises from the possibility that Pure Multi may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. All leases of Pure Multi's investment properties have lease terms of one year or less. Typically, Pure Multi instructs its property managers to initiate the renewal process before the existing leases expire. For any vacant spaces, Pure Multi uses qualified leasing agents to actively market the spaces.

Unit Prices

It is not possible to predict the price at which units will trade and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the investment properties of Pure Multi. Accordingly, the units may trade at a premium or discount to the value implied by the value of Pure Multi's investment properties. The market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond Pure Multi's control.

Environmental Risk

As an owner of real property, Pure Multi is subject to various federal, state and municipal laws relating to environmental matters.

Management carries out environmental inspections, by qualified environmental consultants, before a property is purchased. Management is not aware of any material non-compliance with environmental laws with respect to the current portfolio and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the current portfolio.

Liquidity Risk

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

Liquidity risk is the risk that Pure Multi will not be able to meet its financial obligations as they fall due. 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.

<i>Pure Multi's interest</i>	Nominal interest rate	Year of maturity	December 31, 2013 Face value	December 31, 2012 Face value
Oakchase	3.28%	2017	\$ 8,882,920	\$ 8,940,000
Windscape	3.52%	2019	5,090,000	5,090,000
Valley Ranch	3.51%	2022	13,680,000	13,680,000
Sunset Point	3.54%	2022	15,970,000	15,970,000
Prairie Creek	6.02%	2019	32,158,701	32,578,765
Bear Creek	3.45%	2019	32,080,000	32,080,000
Prestonwood	3.46%	2023	8,670,000	-
Hackberry Creek	3.90%	2028	29,500,000	-
Deer Park	4.21%	2023	16,480,000	-
Fountainwood	4.46%	2023	13,000,000	-
Livingston	3.51%	2018	15,900,000	-
San Brisas	5.63%	2019	2,748,778	-
Total mortgages principal payable			194,160,399	108,338,765
Unamortized mortgage transaction costs			(1,926,918)	(1,235,527)
Unamortized mark to market mortgage adjustment			4,099,337	4,561,433
Total carrying value of mortgages payable			\$ 196,332,818	\$ 111,664,671

Tax Risk

The US REIT currently qualifies as a real estate investment trust for U.S. federal income tax purposes. Thus, the US REIT is not subject to U.S. federal income tax. If the US REIT does not qualify or ceases to qualify as a REIT under the REIT exception, adverse consequences could arise including a material reduction of distributions to unitholders and Pure Multi.

There can be no assurance that Canadian or U.S. federal income tax laws regarding the treatment of REITs will not be changed, or that administrative and assessment practices of the Canada Revenue Agency or IRS will not develop in a manner which adversely affects Pure Multi or its unitholders.

RELATED PARTY TRANSACTIONS

Managing GP

Pure Multi is related to the Managing GP, by virtue of having an officer and director in common (Steven Evans). During the year ended December 31, 2013, Pure Multi declared distributions to the Managing GP in the amount of \$418,552 (period ended December 31, 2012 - \$129,974). Included in accounts payable and accrued liabilities at December 31, 2013 was \$364,430 (December 31, 2012 - \$116,579).

Sunstone U.S. Opportunity Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity Realty Trust, by virtue of having officers and directors in common (Steven Evans, Robert King and James Redekop).

During the year ended December 31, 2013, Pure Multi acquired the following investment properties from Sunstone U.S. Opportunity Realty Trust:

- Windsong acquired on July 19, 2013
- Fountainwood acquired on August 30, 2013
- Livingston acquired on August 30, 2013
- 20% interest in San Brisas acquired on October 1, 2013

Pure Multi negotiated the purchase price of the properties above with reference to independently prepared third party appraisals.

Tipton Asset Group, Inc.

Tipton Asset Group, Inc. ("Tipton") is the property manager for Pure Multi. Pure Multi is related to Tipton by virtue of having an officer and director in common with a subsidiary of Pure Multi (Bryan Kerns). Tipton charged \$946,275 in property management fees during the year ended December 31, 2013 (period ended December 31, 2012 - \$181,782). Included in accounts payable and accrued liabilities at December 31, 2013 was \$nil (December 31, 2012 - \$nil).

Compensation

Currently, the directors of the Governing GP who are not affiliated with or employees of the Managing GP 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 indirectly reimburses such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi reimburses the Governing GP for such amounts. In addition, Pure Multi has obtained insurance coverage for such directors. Compensation is 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 incurred for during the year ended December 31, 2013 was \$67,335 (period ended December 31, 2012 - \$15,575).

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.

OUTSTANDING UNIT DATA

Except as set out in the LP Agreement, no Class A Unit or Class B Unit has any preference or priority over another. The Class A Units and the Class B Units have voting rights as set out in the LP Agreement.

Upon completion of the offerings and exercise of the over-allotment option, holders of Class A Units share in a 95% equity interest in all distributions and all net assets of Pure Multi, and the Managing GP, as the holder of Class B Units, shares in a 5% equity interest in all distributions and all net assets of Pure Multi.

As at March 12, 2014, the following of Pure Multi's securities were outstanding:

- (a) 200,000 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 (as defined in the LP Agreement). See "Financial Condition – Partners' Capital";
- (b) 24,089,000 Class A Units; and
- (c) 23,000 Convertible Debentures. The Convertible Debentures are convertible at the option of the holder and redeemable by Pure Multi in accordance with the terms of the trust indenture dated August 7, 2013. See "Financial Condition – Convertible Debentures".

SECTION VI

SUBSEQUENT EVENTS

There are no subsequent events as of the date of this report.

ADDITIONAL INFORMATION

Additional information relating to Pure Multi is available on SEDAR at www.sedar.com or on Pure Multi's website at www.puremultifamily.com.

TRADING SYMBOLS

TSX Venture Exchange: RUF.U, RUF.DB.U

OTCQX: PMULF



PURE MULTI-FAMILY REIT LP

Consolidated Financial Statements

Year ended December 31, 2013

Expressed in United States dollars

The Boulevard at Deer Park, Houston, TX



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Pure Multi-Family REIT LP, which comprise the consolidated statement of financial position as at December 31, 2013 and 2012, the consolidated statements of income and comprehensive income, partners' capital and cash flows for the year ended December 31, 2013 and for the period from formation on May 8, 2012 to December 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Multi-Family REIT LP as at December 31, 2013 and 2012, and its financial performance and its cash flows for the year ended December 31, 2013 and for the period from May 8, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are slanted and connected, with a long horizontal stroke underneath the 'P' and 'M'.

Chartered Accountants

March 11, 2014
Vancouver, Canada

Pure Multi-Family REIT LP
Consolidated Statement of Financial Position
Expressed in United States dollars

	December 31, 2013	December 31, 2012
ASSETS		
Non-current assets		
Investment properties (note 4)	\$ 332,002,818	\$ 175,916,459
Equity-accounted investment (note 5)	2,830,709	-
	334,833,527	175,916,459
Current assets		
Prepaid expenses	949,752	411,529
Mortgage reserve fund (note 6)	5,657,019	2,984,517
Amounts receivable	33,051	362,624
Cash and cash equivalents	6,673,381	14,960,607
	13,313,203	18,719,277
TOTAL ASSETS	\$ 348,146,730	\$ 194,635,736
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 7)	\$ 192,732,808	\$ 111,187,528
Convertible debentures (note 8)	19,663,721	-
Preferred units of subsidiary (note 9)	125,000	-
	212,521,529	111,187,528
Current liabilities		
Mortgages payable – current portion (note 7)	797,854	477,143
Credit facility (note 10)	5,280,990	-
Rental deposits	558,862	234,398
Unearned revenue	649,867	98,738
Accounts payable and accrued liabilities	8,544,775	3,311,201
	15,832,348	4,121,480
TOTAL LIABILITIES	228,353,877	115,309,008
PARTNERS' CAPITAL (note 11)	119,792,853	79,326,728
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 348,146,730	\$ 194,635,736

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

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

"Robert W. King" Director
Robert W. King

"Stephen J. Evans" Director
Stephen J. Evans

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

Pure Multi-Family REIT LP
Consolidated Statement of Partners' Capital
Expressed in United States dollars

	Limited Partners Class A	Limited Partners Class B	General Partner	Equity Component of Convertible Debentures	Accumulated Earnings (Deficit)	Total
Balance, January 1, 2013	\$ 79,226,619	\$ 1,000,000	\$ 20	\$ -	\$ (899,911)	\$ 79,326,728
Issuance of units	35,000,000	-	-	-	-	35,000,000
Equity component of convertible debentures	-	-	-	1,985,429	-	1,985,429
Offering costs	(2,350,475)	-	-	-	-	(2,350,475)
Distributions to limited partners	-	-	-	-	(8,371,037)	(8,371,037)
Net income for the period	-	-	-	-	14,202,208	14,202,208
Balance, December 31, 2013	\$ 111,876,144	\$ 1,000,000	\$ 20	\$ 1,985,429	\$ 4,931,260	\$ 119,792,853

	Limited Partners Class A	Limited Partners Class B	General Partner	Equity Component of Convertible Debentures	Accumulated Earnings (Deficit)	Total
Balance, May 8, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General partner contribution	-	-	20	-	-	20
Issuance of units	86,283,350	1,000,000	-	-	-	87,283,350
Offering costs	(7,056,731)	-	-	-	-	(7,056,731)
Distributions to unitholders	-	-	-	-	(2,599,484)	(2,599,484)
Net income for the period	-	-	-	-	1,699,573	1,699,573
Balance, December 31, 2012	\$ 79,226,619	\$ 1,000,000	\$ 20	\$ -	\$ (899,911)	\$ 79,326,728

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

Pure Multi-Family REIT LP
Consolidated Statement of Income and Comprehensive Income
Expressed in United States dollars

	Year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
REVENUES		
Rental	\$ 31,455,849	\$ 6,070,765
OPERATING EXPENSES		
Insurance	760,574	161,138
Property management	942,461	181,782
Property taxes	4,890,377	818,316
Property operating expenses	8,583,507	1,813,148
	15,176,919	2,974,384
NET RENTAL INCOME	16,278,930	3,096,381
NET FINANCE INCOME (EXPENSES)		
Interest income	2,298	4,323
Interest expense (note 12)	(6,525,823)	(1,162,998)
Distributions to subsidiary's preferred unitholders	(14,888)	-
Preferred units of subsidiary offering costs	(50,454)	-
	(6,588,867)	(1,158,675)
NET OTHER INCOME (EXPENSES)		
Other income	6,101	17,058
General and administrative	(617,168)	(147,022)
Fair value adjustments to investment properties (note 4)	5,564,915	(108,169)
Franchise taxes	(255,670)	-
	4,698,178	(238,133)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENT (note 5)	(186,033)	-
NET INCOME AND COMPREHENSIVE INCOME	\$ 14,202,208	\$ 1,699,573
Earnings per Class A unit		
Basic and diluted	\$ 0.62	\$ 0.12
Weighted average number of Class A units		
Basic and diluted	21,653,384	13,941,459
Earnings per Class B unit		
Basic and diluted	\$ 3.55	\$ 0.42
Weighted average number of Class B units		
Basic and diluted	200,000	200,000

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

Pure Multi-Family REIT LP
Consolidated Statement of Cash Flows
Expressed in United States dollars

	Year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
Cash provided by (used in)		
OPERATIONS		
Net income	\$ 14,202,208	\$ 1,699,573
Items not involving cash:		
Amortization of transaction costs	239,053	31,588
Amortization of mark to market mortgage adjustment	(664,099)	(108,428)
Fair value adjustments to investment property (note 4)	(5,564,915)	108,169
Share of (profit) loss of equity-accounted investee (note 5)	186,033	-
Interest income	(2,298)	(4,323)
Interest expense	6,950,869	1,239,837
Distributions to subsidiary's preferred unitholders	14,888	-
Preferred units of subsidiary offering costs	50,454	-
Net change in non-cash working capital items (note 13)	4,472,509	2,475,286
	19,884,702	5,441,702
INVESTING		
Acquisitions of investment properties	(147,904,162)	(138,440,698)
Capital additions to investment properties	(2,617,282)	(268,680)
Investments in equity-accounted investee	(3,016,742)	-
Interest received	2,298	4,323
	(153,535,888)	(138,705,055)
FINANCING		
Distributions paid to subsidiary's preferred unitholders	(14,888)	-
Distributions paid to limited partners	(7,828,952)	(2,599,484)
General partner capital contribution	-	20
Interest paid	(6,064,945)	(844,939)
Credit facility proceeds received	5,396,485	-
Convertible debenture proceeds received	23,000,000	-
Mortgage proceeds received	83,550,000	75,760,000
Mortgage reserve fund	(2,672,502)	(2,984,517)
Payment of finance transaction costs	(2,248,165)	(1,267,115)
Proceeds from issuance of limited partner units	35,000,000	87,283,350
Proceeds from the issuance of subsidiary units	125,000	-
Repayment of mortgages	(477,144)	(66,624)
Unit offering costs	(2,400,929)	(7,056,731)
	125,363,960	148,223,960

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

Pure Multi-Family REIT LP
Consolidated Statement of Cash Flows (continued)
Expressed in United States dollars

Net change in cash and cash equivalents	(8,287,226)	14,960,607
Cash and cash equivalents, beginning of period	14,960,607	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,673,381	\$ 14,960,607
Supplemental cash flow information:		
Non-cash financing and investing activity:		
Cash distributions to the limited partners included in accounts payable and accrued liabilities	\$ 1,110,736	\$ 629,249

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 Multi-Family 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 Limited Partnership Agreement ("LP 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 Limited 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 a Series A Preferred Share 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.

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 consolidated financial statements for the year ended December 31, 2013 were authorized for issue by the Board of Directors of the Governing GP (the "Board") on March 11, 2014.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs").

b. Basis of measurement

These 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 consolidated 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(P).

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 operations or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these 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 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.

Pure Multi has entered into a co-ownership agreement with another party in the form of a limited partnership. The entity operates in the same way as other entities, except that contractual arrangements between the two partners establish joint control over the economic activities of the entity. Each partner does not have rights to individual assets or liabilities of the entities, but is entitled to a share of the outcome of activities of the arrangement. Pure Multi accounts for its interest in the jointly controlled entity using the equity method. Under the equity method, the interest in the joint venture is carried in the consolidated statement of financial position at purchase price plus any post acquisition changes in Pure Multi's share of the net assets.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations 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(P).

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisitions. The cost to acquire the property, including transaction costs, 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 are comprised of 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 and related 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. Pure Multi defines fair value to be the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after the 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.

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. Convertible debentures

Convertible debentures issued by Pure Multi are converted into Class A units (each a "Class A Unit") of Pure Multi at the option of the holder, and the number of Class A units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into Class A Units at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into equity (the Class A Units are equity by definition) and accordingly the conversion feature component of the convertible debentures is also equity. Accordingly, the conversion feature component of the convertible debentures is recorded in the consolidated statement of partners' capital.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

F. 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.

G. Finance income (expenses)

Finance income (expenses) consists of interest income, mortgage interest, credit facility interest, convertible debenture interest, distributions to preferred unitholders and preferred unit offering costs. 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.

H. Translation of foreign currency

The functional and reporting currency of Pure Multi is United States dollars. Pure Multi has certain transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the statement of financial position 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.

I. 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
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Credit facility	Other financial liabilities
Convertible debentures	Other financial liabilities
Preferred units of subsidiary	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.

J. Fair value

Pure Multi measures investment properties at fair value at each balance sheet date, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. 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.

K. 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.

L. Cash and cash equivalents

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

M. Earnings per unit

Basic and diluted earnings per Class A and Class B unit have been calculated based on the proportion of the earnings allocated to the respective class of units, and the respective weighted average number of Class A units and Class B units outstanding.

N. Taxes

a. 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 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 by 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. Management believes that the Pure Multi does not hold any "non-portfolio property" and should not be a SIFT partnership and therefore not subject to the SIFT Measures. 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 partnership it will be generally subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

Pure Multi made a protective election to be treated as a partnership for U.S. federal income tax purposes. In addition, at least 90% of Pure Multi's gross income is expecting to be qualifying income within the meaning of U.S. Internal Revenue Code (the "Code") section 7704 and Pure Multi is not required to register as an investment company under the Investment Company Act of 1940. As such, it is generally not subject to U.S. federal income tax under the Code. Furthermore, Pure Multi's subsidiary, the US REIT, timely made and intends to maintain an election to be taxed as a U.S. real estate investment trust ("REIT") under 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 dividend 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 as a dividend 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 and quarterly 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.

b. Texas Franchise Tax

Texas Franchise Tax applicable to Pure Multi, for its investment properties operated in Texas, is equal to 1% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; or (iii) 100% of total revenue less compensation expense. Pure Multi has recorded a provision for Texas Franchise Tax of \$255,670 for the year ended December 31, 2013, which is included within other expenses in the consolidated statement of income and comprehensive income.

O. Operating segments

Pure Multi currently operates in one business segment, 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.

P. 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) Asset acquisitions

Pure Multi, through the US REIT, acquires individual real estate properties. At the time of acquisition, Pure Multi considers whether or not the acquisition represents the acquisition of a business. Pure Multi 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, including transaction costs, is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

All acquisitions to date by Pure Multi have been determined to be asset acquisitions.

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 uses 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.

Q. 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.

R. Future changes in accounting policies

(i) Adoption of new accounting policies

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As a result of the adoption of IFRS 10, Pure Multi has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if Pure Multi controls the investee on the basis of *de facto* circumstances.

In accordance with the transitional provisions of IFRS 10, Pure Multi re-assessed the control conclusion for its investees at January 1, 2013. Based on this assessment, the adoption of IFRS 10 does not change Pure Multi's conclusions around control of its investee. Therefore, no adjustments to previous accounting for investees are required in the consolidated financial statements.

Joint arrangements

As a result of the adoption of IFRS 11, Pure Multi has changed its accounting policy with respect to interests in joint arrangements.

Under IFRS 11, Pure Multi classifies its interests in joint arrangements as either joint operations or joint ventures depending on Pure Multi's rights to the assets and obligations for the liabilities

of the arrangement. Prior to January 1, 2013, Pure Multi was not party to a joint arrangement. Therefore, the adoption of IFRS 11 does not have an impact on Pure Multi's consolidated financial statements as previously reported.

Disclosure of Interests in Other Entities

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of IFRS 12 currently has no impact on Pure Multi's consolidated financial statements, however Pure Multi will disclose the information as required when it enters into such arrangements.

Fair Value Measurement

In accordance with the transitional provisions, IFRS 13 has been applied prospectively from its effective date of January 1, 2013. As a result, Pure Multi has adopted a new definition of fair value which measures the fair value of an asset or liability based on assumptions that market participants would use under current market conditions, including assumptions about risks. The adoption of IFRS 13 had no impact on the measurement of Pure Multi's assets and liabilities at January 1, 2013. However, Pure Multi has included new disclosure in the consolidated financial statements (note 18) which are required under IFRS 13.

Amendment to IAS 1 – Presentation of financial statements

The amendments to IAS 1, *Presentation of Financial Statements*, require items of other comprehensive income and the corresponding tax expense to be grouped based on whether they will or will not be classified to the statement of earnings in the future. The adoption of the amendments to IAS 1 does not change the presentation of Pure Multi's other comprehensive income.

(ii) Future accounting policy changes

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.

Offsetting financial assets and liabilities

In December 2011, the IASB made amendments to IAS 32, *Financial Instruments: Presentation*. The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amended version of IAS 32 is effective for Pure Multi's year-end beginning January 1, 2014, with early adoption permitted. The adoption of amendments to IAS 32 is not expected to have a significant impact on Pure Multi's consolidated financial statements.

Levies

In May 2013, the IASB issued IFRIC interpretation 21, *Levies*, which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The adoption of this new standard will not have any material impacts on the Pure Multi's consolidated financial statements.

4. INVESTMENT PROPERTIES

On March 15, 2013, Pure Multi, through the US REIT, acquired Laguna Luxury Apartments, which was subsequently renamed to Fairways at Prestonwood ("Prestonwood"), located in Dallas, Texas, for a purchase price of \$17,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$8,670,000.

On June 6, 2013, Pure Multi, through the US REIT, acquired Vistas at Hackberry Creek Apartments ("Hackberry Creek"), located in Dallas, Texas, for a purchase price of \$45,400,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15 year mortgage in the amount of \$29,500,000.

On June 21, 2013, Pure Multi, through the US REIT, acquired Deer Park Apartments, which was subsequently renamed to The Boulevard at Deer Park ("Deer Park"), located in Deer Park, Texas, for a purchase price of \$23,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$16,480,000.

On July 19, 2013, Pure Multi, through the US REIT, acquired Windsong Apartments ("Windsong"), located in Dallas, Texas, for a purchase price of \$16,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and proceeds from a new credit facility.

On August 30, 2013, Pure Multi, through the US REIT, acquired Fountainwood Apartments ("Fountainwood"), located in Euless, Texas, for a purchase price of \$19,800,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 10 year mortgage in the amount of \$13,000,000.

On August 30, 2013, Pure Multi, through the US REIT, acquired Livingston Apartments ("Livingston"), located in Plano, Texas, for a purchase price of \$25,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 5 year mortgage in the amount of \$15,900,000.

		2013
Balance, at January 1, 2013	\$	175,916,459
Acquisitions		147,904,162
Capital additions		2,617,282
Fair value adjustments to investment properties		5,564,915
Balance, December 31, 2013	\$	332,002,818

	2012
Balance, at May 8, 2012	\$ -
Acquisitions	175,755,948
Capital additions	268,680
Fair value adjustments to investment properties	(108,169)
Balance, December 31, 2012	\$ 175,916,459

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

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.

On September 26, 2012, Pure Multi, through the US REIT, acquired two properties, which Pure Multi is managing and operating as one property since the acquisition date; Springmist Apartments and Sunset Point Apartments (collectively known as "Sunset Point"), located in Arlington, Texas, for a combined purchase price of \$24,569,000, plus standard closing costs and adjustments. These acquisitions were financed with cash and a new ten year mortgage in the amount of \$15,970,000.

On October 11, 2012, Pure Multi, through the US REIT, acquired Prairie Creek Villas ("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 the assumption of a mortgage in the amount of \$32,645,389 bearing a rate of interest of 6.02%. As the stated rate of the assumed mortgage is greater than the current market rate of interest, an adjustment of \$4,669,861 was determined to increase the assumed mortgage to market value and has been included in the determination of the cost of this acquisition. The mark to market adjustment of the assumed mortgage is amortized over the remaining 6 year and 5 month term on an effective interest rate basis, which reduces the effective interest rate over the current term of the mortgage.

On October 31, 2012, Pure Multi, through the US REIT, acquired Stoneleigh at Bear Creek ("Bear Creek"), located in Euless, Texas, for a purchase price of \$49,350,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 7 year mortgage in the amount of \$32,080,000.

The fair value of the investment properties has been determined on a market value basis. As set out in note 3(P), 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.

When obtained, 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 expect to 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 uses specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred. During the current year, an appraisal was obtained at the time of acquisition for any properties acquired during the same period. As there was not a significant passage of time on the acquisitions that occurred between June 6, 2013 and December 31, 2013, the fair values at December 31, 2013 were equal to the acquisition price. Management undertook its own valuation process, as described above, on the remaining investment properties.

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

	December 31, 2013		December 31, 2012	
	Weighted average	Range	Weighted average	Range
Capitalization rate*	6.16%	5.50% - 7.00%	6.01%	5.50% - 7.00%

*Capitalization rates are based on Pure Multi's proportionate share of stabilized NOI of its entire portfolio, including equity-accounted investees.

5. EQUITY-ACCOUNTED INVESTMENT

On October 1, 2013, Pure Multi, through the US REIT, acquired a 19.99% interest in Sunstone San Brisas LP and a 20% interest in Sunstone San Brisas Apartments, LLC (collectively referred to as "San Brisas"), located in Chandler, Arizona, for a purchase price of \$5,600,000, plus standard closing costs and adjustments. This acquisition was financed with cash and the assumption of a mortgage in the amount of \$2,755,967 bearing a rate of interest of 5.63%. As the stated rate of the assumed mortgage is greater than the current market rate of interest, an adjustment of \$206,913 was determined to increase the assumed mortgage to market value and has been included in the determination of the cost of this acquisition. The mark to market adjustment of the assumed mortgage is amortized over the remaining 6 year and 2 month term on an effective interest rate basis, which reduces the effective interest rate over the current term of the mortgage.

Pure Multi has the following significant interest in the joint venture, which is measured using the equity method:

- a) 20% share in the ownership of a 208-unit property, San Brisas, located in Chandler, Arizona

	December 31, 2013
Balance, beginning of period	\$ -
Additions	3,016,742
Share of net income (loss)	(186,033)
Distributions	-
Balance, end of period	\$ 2,830,709

As at	December 31, 2013
Current assets	\$ 452,939
Non-current assets	28,000,000
Current liabilities	(513,874)
Non-current liabilities	(13,518,632)
Net assets	14,420,433
Pure Multi's share of net assets, before adjustments	2,884,087
Adjustment for Pure Multi's unamortized mortgage transaction fee	148,624
Adjustment for Pure Multi's unamortized mark to market mortgage adjustment	(202,002)
Pure Multi's share of net assets	\$ 2,830,709

For the year ended December 31	2013
Revenues	\$ 635,487
Operating expenses	245,822
Net rental income	389,665
Net finance income (expenses)	(198,008)
Fair value adjustment to investment property	(28,486)
Net income (loss) and comprehensive income (loss)	(163,171)
Pure Multi's share of net income (loss) and comprehensive income (loss), before adjustments	32,634
Adjustment for Pure Multi's net finance income (expenses) related to joint venture	1,567
Adjustment for Pure Multi's fair value adjustment related to joint venture	(220,234)
Pure Multi's share of net income (loss) and comprehensive income (loss)	\$ (186,033)

6. 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.

7. MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	December 31, 2013 Face value	December 31, 2012 Face value
Oakchase	3.28%	2017	\$ 8,882,920	\$ 8,940,000
Windscape	3.52%	2019	5,090,000	5,090,000
Valley Ranch	3.51%	2022	13,680,000	13,680,000
Sunset Point	3.54%	2022	15,970,000	15,970,000
Prairie Creek	6.02%	2019	32,158,701	32,578,765
Bear Creek	3.45%	2019	32,080,000	32,080,000
Prestonwood	3.46%	2023	8,670,000	-
Hackberry Creek	3.90%	2028	29,500,000	-
Deer Park	4.21%	2023	16,480,000	-
Fountainwood	4.46%	2023	13,000,000	-
Livingston	3.51%	2018	15,900,000	-
Total mortgages principal payable			191,411,621	108,338,765
Unamortized mortgage transaction costs			(1,778,294)	(1,235,527)
Unamortized mark to market mortgage adjustment			3,897,335	4,561,433
Total carrying value of mortgages payable			\$ 193,530,662	\$ 111,664,671

The mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 4.10% as at December 31, 2013 (December 31, 2012 – 4.23%).

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

Principal repayments, as of December 31, 2013, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2014	\$ 797,854
2015	1,608,076
2016	1,809,002
2017	10,044,672
2018	16,576,981
Thereafter	160,575,036
	\$ 191,411,621

8. CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi issued \$23,000,000 of 6.5% convertible unsecured subordinated debentures ("6.5% convertible debentures") due on September 30, 2020. The 6.5% convertible debentures are convertible at the holder's option at any time into Class A Units at conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi at any time. During the year ended December 31, 2013, none of the 6.5% convertible debentures have been converted into Class A Units. At December 31, 2013, \$23,000,000 of the face value of the 6.5% convertible debentures was outstanding.

The following summarizes the face and carrying values of the 6.5% convertible debentures at December 31, 2013:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Issuance on August 7, 2013	\$ 20,886,300	\$ 20,886,300	\$ 2,113,700
Transaction costs	-	(1,267,500)	(128,271)
Amortization of transaction costs	-	44,921	-
	\$		
Balance as at December 31, 2013	20,886,300	\$ 19,663,721	\$ 1,985,429

9. PREFERRED UNITS OF SUBSIDIARY

During the year ended December 31, 2013, the US REIT issued 125 preferred units at \$1,000 per unit for gross proceeds of \$125,000. On consolidation, the preferred units of the US REIT are reflected as a liability of Pure Multi.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the US REIT at a per annum rate equal to 12.5%, payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the US REIT. However, after payment of such return to unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the US REIT.

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accumulated and unpaid distributions and a redemption premium if the preferred units are redeemed before January 1, 2015. The redemption premium is equal to \$100 per preferred unit if redemption occurs on or before December 31, 2014. There is no redemption premium for redemptions after December 31, 2014.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the Board does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

Pure Multi declared distributions of \$14,888 during the year ended December 31, 2013 to the preferred unitholders (period ended December 31, 2012 – \$nil).

10. CREDIT FACILITY

On July 19, 2013, Pure Multi established a revolving credit facility with a lender in the amount of \$9,900,000. At December 31, 2013 there was \$5,396,485 outstanding. The revolving credit facility is interest bearing at a variable interest rate based at 2.00% plus the London Interbank Offered Rate (“LIBOR”). The revolving credit facility is secured by a general assignment of any monies held in reserve accounts and matures on July 19, 2016.

	December 31, 2013	December 31, 2012
Revolving credit facility	\$ 9,900,000	\$ -
Less: Line of credit outstanding	(5,396,485)	-
Remaining unused credit facility	\$ 4,503,515	\$ -

The amount payable on the credit facility at December 31, 2013 was \$5,280,990. Included in this amount is the related unamortized transaction costs of \$115,495, which are amortized over the term of the credit facility, on a straight-line basis.

11. 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.

From date of formation on May 8, 2012 to December 31, 2012 (“period ended December 31, 2012”), the Managing GP subscribed for 200,000 Class B units (each a “Class B Unit”) of Pure Multi, at a price of \$5.00 per Class B Unit, for gross proceeds to Pure Multi of \$1,000,000, which entitles the Class B Unitholders, initially, a 5% interest in Pure Multi. Pure Multi did not issue any additional Class B Units during the year ended December 31, 2013.

During the period ended December 31, 2012, Pure Multi issued 17,089,000 Class A Units, for gross proceeds of \$86,283,350, less offering costs. During the year ended December 31, 2013, Pure Multi issued an additional 7,000,000 Class A Units of Pure Multi, for gross proceeds of \$35,000,000, less 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 public offerings described in the Prospectus’ dated July 3, 2012, October 12, 2012 and May 1, 2013. The Class B Units were subscribed for by the Managing GP on May 30, 2012. Except as set out in the LP Agreement no Class A Unit or Class B Unit has any preference or priority over another.

The Class A Units 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, 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, as described below. 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 are 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 the Conversion Rights attached thereto 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 LP Agreement, 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.

Allocation of net income or net loss

Where Distributable Cash, as described in the LP Agreement, is paid in respect of Pure Multi's year ended December 31 ("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 is 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 number of units held by such Unitholder divided by the aggregate number of units outstanding in the same Class ("Proportionate Shares"), 95% (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, 5% (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 Class A 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.

12. INTEREST EXPENSE

Interest expense consists of the following:

	Year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
Mortgage interest	\$ 6,293,287	\$ 1,239,837
Credit facility interest	55,486	-
Convertible debenture interest	602,096	-
Amortization of transaction costs	239,052	31,588
Amortization of mark to market mortgage adjustment	(664,098)	(108,427)
	\$ 6,525,823	\$ 1,162,998

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Year ended December 31, 2013	From date of formation on May 8, 2012 to December 31, 2012
Cash provided by (used in)		
Amounts receivable	\$ 329,573	\$ (362,624)
Prepaid expenses	(538,223)	(411,529)
Accounts payable and accrued liabilities	3,805,566	2,916,303
Unearned revenue	551,129	98,738
Rental deposits	324,464	234,398
	\$ 4,472,509	\$ 2,475,286

14. CAPITAL MANAGEMENT

Pure Multi defines capital as the aggregate of partners' capital, preferred units of subsidiary and long term debt. 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.

The LP Agreement provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of Pure Multi for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by Pure Multi for which Pure Multi has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines "gross book value" as the book value of the assets of Pure Multi plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi. Pure Multi's indebtedness is 64.0% as at

December 31, 2013 (December 31, 2012 – 57.4%). Pure Multi was in compliance with all restrictions during the year ended December 31, 2013 and the period ended December 31, 2012.

There were no changes in Pure Multi’s approach to capital management during the year ended December 31, 2013. The capital structure consisted of the following components at December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Capital		
Mortgages payable	\$ 193,530,662	\$ 111,664,671
Convertible debentures	19,663,721	-
Preferred units of subsidiary	125,000	-
Partners’ capital	119,792,853	79,326,728
Total capital	\$ 333,112,236	\$ 190,991,399

During the year ended December 31, 2013, Pure Multi issued Class A units, preferred units of subsidiary, convertible debentures and obtained or assumed mortgage debt related to its property acquisitions. These increases to Pure Multi’s capital were partially offset by the distributions paid to unitholders.

15. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi’s financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, credit facility, 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 and preferred units 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 fair value of the convertible debentures has been calculated using quoted prices in active markets.

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

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 193,530,662	\$ 198,636,203	\$ 111,664,671	\$ 113,740,378
Preferred units of subsidiary	125,000	125,000	-	-
Convertible debentures	19,663,721	21,390,000	-	-
Credit facility	5,280,990	5,280,990	-	-
Accounts payable and accrued liabilities	8,544,775	8,544,775	3,311,201	3,311,201
Mortgage reserve fund	5,657,019	5,657,019	2,984,517	2,984,517
Amounts receivable	33,051	33,051	362,624	362,624
Cash and cash equivalents	6,673,381	6,673,381	14,960,607	14,960,607

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. As all of the mortgages payable bear interest at fixed rates and only the bank credit facility bears a variable interest rate, Pure Multi does not face significant interest rate risk.

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.

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.

16. RELATED PARTY TRANSACTIONS AND COMMITMENTS

Managing GP

Pure Multi is related to the Managing GP, by virtue of having an officer and director in common (Steven Evans).

During the year ended December 31, 2013, Pure Multi declared distributions to the Managing GP in the amount of \$418,552 (period ended December 31, 2012 - \$129,974). Included in accounts payable and accrued liabilities at December 31, 2013 was \$357,956 (December 31, 2012 - \$116,579).

Sunstone U.S. Opportunity Realty Trust

Pure Multi is related to Sunstone U.S. Opportunity Realty Trust, by virtue of having officers and directors in common (Steven Evans, Robert King and James Redekop).

During the year ended December 31, 2013, Pure Multi acquired the following investment properties from Sunstone U.S. Opportunity Realty Trust:

- Windsong acquired on July 19, 2013;
- Fountainwood acquired on August 30, 2013;
- Livingston acquired on August 30, 2013; and
- 20% interest in San Brisas acquired on October 1, 2013

Pure Multi negotiated the purchase price of the properties above with reference to independently prepared third party appraisals.

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 an officer and director in common with a subsidiary of Pure Multi (Bryan Kerns). Tipton charged \$942,461 in property management fees during the year ended December 31, 2013 (period ended December 31, 2012 - \$181,782). Included in accounts payable and accrued liabilities at December 31, 2013 was \$nil (December 31, 2012 - \$nil).

Compensation

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 incurred during the year ended December 31, 2013 was \$67,335 (period ended December 31, 2012 - \$26,450).

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.

17. 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 \$16,382,301 as at December 31, 2013 (December 31, 2012 - \$8,964,535).

18. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the financial statements is as follows:

<i>(000's)</i>	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 332,003	\$ -	\$ -	\$ 175,916
Mortgages payable	-	198,636	-	-	113,740	-
Preferred units of subsidiary	-	125	-	-	125	-
Convertible debentures	21,390	-	-	-	-	-

There have been no transfers among all levels during the year.

As disclosed above, the fair value methodology for Pure Multi's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. Refer to note 4, for a description of how management determines fair value and for further details of the average capitalization rates and ranges for investment properties, including equity-accounted investees.

Investment properties as at December 31, 2013 and 2012 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at December 31, 2013:

Rate sensitivity	OCR Sensitivity	
	Fair value*	Change in fair value
+ 75 basis points	\$ 300,821,349	\$ (36,781,470)
+ 50 basis points	312,154,112	(25,448,707)
+ 25 basis points	324,377,975	(13,224,844)
Base rate (6.16%)	337,602,818	-
- 25 basis points	351,957,452	14,354,633
- 50 basis points	367,593,880	29,991,061
- 75 basis points	384,692,810	47,089,991

**Fair value is based on Pure Multi's proportionate share of stabilized NOI of its entire portfolio, including \$5,600,000 in respect of its equity-accounted investees.*

19. SUBSEQUENT EVENTS

There are no subsequent events as of the date of this report.

Management

Stephen Evans

Director and Chief Executive Officer

Samantha Adams

Vice President

Scott Shillington, C.A.

Chief Financial Officer

Andrew Greig

Director of Investor Relations

Directors

Robert King

Lead Independent Director

James Redekop

Independent Director

Douglas Scott, C.A.

Independent Director

John O'Neill

Independent Director

James Speakman

Independent Director

Corporate Legal Counsel



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Stock Exchange Listing

TSX Venture
OTCQX

Listing Symbol

TSX-V: RUF.U, RUF.DB.U
OTCQX: PMULF

Annual Meeting of Shareholders

11:00 am Pacific Daylight Time
Wednesday, May 21, 2014
The Sutton Place Hotel
Chateau Belair
845 Burrard Street
Vancouver, BC V6C 3L2



Windscape Apartments, Dallas, TX



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