

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the short form base shelf prospectus to which it relates dated November 8, 2019, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in this prospectus supplement and the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States. Accordingly, these securities may not be offered or sold within the United States or to, or for the account or benefit of any, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act), except pursuant to transactions exempt from registration under the U.S. Securities Act and applicable state securities laws. This prospectus supplement, together with the short form base shelf prospectus to which it relates dated November 8, 2019, as amended or supplemented, does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.*

*Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus to which it relates dated November 8, 2019, as amended or supplemented, from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer and Secretary of BSR Real Estate Investment Trust at its head office located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, by telephone at 501.371.6335, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

**PROSPECTUS SUPPLEMENT  
(to the Short Form Base Shelf Prospectus Dated November 8, 2019)**

New Issue

August 31, 2020



**BSR REAL ESTATE INVESTMENT TRUST**

**US\$40,000,000**

**5.00% Convertible Unsecured Subordinated Debentures**

BSR Real Estate Investment Trust (the “REIT”) is an internally managed, unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario pursuant to a second amended and restated declaration of trust dated April 23, 2020, as the same may be amended from time to time (the “**Declaration of Trust**”).

This prospectus supplement (the “**Prospectus Supplement**”), together with the short form base shelf prospectus to which it relates dated November 8, 2019, as amended or supplemented (the “**Base Shelf Prospectus**” and together with the Prospectus Supplement, the “**Prospectus**”), qualifies the distribution (the “**Offering**”) of US\$40,000,000 aggregate principal amount of 5.00% convertible unsecured subordinated debentures (the “**Debentures**”) of the REIT at a price of US\$1,000 per Debenture (the “**Offering Price**”). See “Plan of Distribution”.

The Offering is being made pursuant to an underwriting agreement dated August 31, 2020 (the “**Underwriting Agreement**”) among the REIT and a syndicate of underwriters led by BMO Nesbitt Burns Inc. (“**BMO**”) and including CIBC World Markets Inc., RBC Dominion Securities Inc., Desjardins Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Industrial Alliance Securities Inc., Canaccord Genuity Corp., Raymond James Ltd., Echelon Wealth Partners Inc. and Laurentian Bank Securities Inc. (collectively, the “**Underwriters**”). The terms of the Offering, including the Offering Price, were determined by negotiations between the REIT and BMO, on its own behalf and on behalf of the Underwriters.

The Debentures will be due on September 30, 2025 (the “**Maturity Date**”). The Debentures bear interest at an annual rate of 5.00% payable in semi-annual payments in arrears on the last day in March and September in each

year (or the immediately following business day if any interest payment date would not otherwise be a business day) (each an “**Interest Payment Date**”), commencing on March 31, 2021. The first interest payment on the Debentures will include accrued and unpaid interest for the period from the date of closing of the Offering to, but excluding March 31, 2021. On the Maturity Date, the Debentures may, at the option of the REIT, be repaid in cash or trust units of the REIT (the “**Units**”). See “Description of the Debentures”.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus Supplement. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

The REIT has applied to have the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option (as defined herein)) and the Units issuable upon the conversion, redemption or maturity of the Debentures listed on the Toronto Stock Exchange (the “**TSX**”). The TSX has conditionally approved the REIT’s listing application. Listing of the Debentures is subject to the REIT fulfilling all of the listing requirements of the TSX. See “Plan of Distribution”. The outstanding Units are listed for trading on the TSX in U.S. dollars under the symbol “HOM.U” and in Canadian dollars under the symbol “HOM.UN”. The price of the Units on the TSX at the close of business on August 26, 2020 (the last full trading day prior to the announcement of the Offering) was US\$10.45 and C\$13.75, respectively.

#### **Debenture Conversion Privilege**

Each Debenture will be convertible into Units at the option of the holder at any time prior to the close of business on the earlier of (i) the last business day before the Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of US\$14.40 per Unit (the “**Conversion Price**”), being a conversion rate of approximately 69.4444 Units for each US\$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture to be entered into on or before the Closing Date between the REIT and TSX Trust Company (the “**Debenture Trustee**”), which creates and sets forth the terms and conditions governing the Debentures (the “**Indenture**”). Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date prior to the date of conversion to and including the last record date declared for determining the holders of Units (“**Unitholders**”) entitled to receive distributions on Units prior to such conversion. In the event that distributions have been suspended (or notice has been given of such suspension), then in addition to the applicable number of Units to be received on conversion, a holder will be entitled to receive accrued and unpaid interest for the period from the last Interest Payment Date prior to the date of conversion to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debenture may be converted on the last business day preceding an Interest Payment Date or the Maturity Date. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events are set out under “Description of the Debentures — Conversion Privilege”. **A holder of Debentures will not be entitled for Canadian federal income tax purposes to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See “Certain Canadian Federal Income Tax Considerations”. A holder of Debentures will generally not recognize any U.S. federal income, gain or loss upon conversion. See “Certain U.S. Federal Income Tax Considerations”.**

The Debentures may not be redeemed by the REIT prior to September 30, 2023 (the “**First Call Date**”) except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after the First Call Date and prior to September 30, 2024, the Debentures may be redeemed by the REIT at the REIT’s option, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after September 30, 2024 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at

the option of the REIT at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days' and not less than 30 days' prior written notice.

Subject to any required regulatory approvals and provided that no Event of Default (as defined herein) has occurred and is continuing, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures that are to be redeemed or that have matured, on not more than 60 days' and not less than 30 days' prior notice, by issuing that number of freely-tradeable Units obtained by dividing the principal amount of the Debentures that are to be redeemed or that have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as applicable. See "Description of the Debentures— Payment upon Redemption or Maturity". In addition, subject to any required regulatory approvals and provided that no Event of Default has occurred and is continuing, Units may be delivered to the Debenture Trustee (as defined herein) and sold, with the proceeds used to satisfy the obligation to pay interest on the Debentures. See "Description of the Debentures— Interest Payment Election".

Within 30 days following the occurrence of a Change of Control, the REIT will be required to make an offer to purchase all of the Debentures then outstanding for a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon to, but excluding, the date of purchase. Holders of Debentures may accept this offer in whole or in part. See "Description of the Debentures — Change of Control".

### Offering Price: US\$1,000 per Debenture

	Price to the Public <sup>(1)</sup>	Underwriters' Fee <sup>(2)</sup>	Net Proceeds to the REIT <sup>(3)</sup>
Per Debenture .....	US\$1,000	US\$37.50	US\$962.50
Total <sup>(4)</sup> .....	US\$40,000,000	US\$1,500,000	US\$38,500,000

Notes:

- (1) The Offering Price was determined by negotiation between the REIT and BMO, on its own behalf and on behalf of the Underwriters.
- (2) Pursuant to the terms of the Underwriting Agreement, and in consideration of the services rendered by the Underwriters in connection with the Offering, the Underwriters will receive an aggregate fee (the "Underwriters' Fee") of 3.75% of the gross proceeds realized by the REIT in respect of the sale of the Debentures, and, if applicable, the Debentures purchased pursuant to the Over-Allotment Option (as defined herein). See "Plan of Distribution".
- (3) Before deducting expenses of the Offering estimated at US\$500,000 (exclusive of all applicable taxes), which, together with the Underwriters' Fee, will be paid from the proceeds of the Offering.
- (4) The REIT has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part at any time up to 30 days after the closing of the Offering (the "Closing") to purchase on the same terms as set forth above up to an additional US\$6,000,000 of aggregate principal amount of Debentures, solely to cover over-allocation, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriters' Fee, and the net proceeds to the REIT (before deducting expenses of the Offering) will be US\$46,000,000, US\$1,725,000, and US\$44,275,000 respectively. This Prospectus Supplement qualifies the distribution of the Over-Allotment Option and the Debentures issuable on the exercise thereof. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	US\$6,000,000 aggregate principal amount of Debentures	At any time until 30 days following closing of the Offering	US\$1,000 per Debenture

The Underwriters, as principals, conditionally offer the Debentures qualified under this Prospectus Supplement for sale, subject to the prior sale, if, as and when issued, sold and delivered by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan

of Distribution” and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions intended to stabilize or maintain the market price of the Debentures at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Debentures initially at the Offering Price. **After the Underwriters have made reasonable efforts to sell all of the Debentures at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the proceeds received by the REIT. See “Plan of Distribution”.**

Any investment in Debentures involves significant risks that should be carefully considered by prospective investors before purchasing Debentures. The risks outlined in this Prospectus Supplement and the Prospectus, and in the documents incorporated by reference herein and therein, should be carefully reviewed and considered by prospective investors in connection with any investment in Debentures. See the “Risk Factors” section of this Prospectus Supplement.

**BMO is an affiliate of a U.S. chartered bank that is a lender to the REIT under the Credit Facility (as defined below). Consequently, the REIT may be considered a “connected issuer” of such Underwriters within the meaning of applicable securities legislation.** The net proceeds from this Offering may be used to reduce the REIT’s indebtedness under those credit facilities, including the Credit Facility (as defined herein). See “Relationship Between the REIT and Certain Underwriters”, “Use of Proceeds” and “Plan of Distribution”.

Because the REIT is treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the United States-Canada Income Tax Convention (1980, as amended) (the “**Treaty**”), provided that the required form evidencing eligibility for such benefits is filed with the REIT or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT’s current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act (as defined herein). So long as the Units continue to be regularly traded on an established securities market, distributions with respect to Units in excess of the REIT’s current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP, but excluding trusts governed by a TFSA, RESP or RDSP (each as defined herein)) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this Prospectus Supplement. See “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”. See also “Risk Factors — Tax-Related Risks” in the Annual Information Form.

**The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax will depend, in part, on the composition for Canadian federal income tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders’ Units). The composition of distributions for Canadian federal income tax purposes may change over time, thus affecting the after-tax return to Unitholders.**

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Debentures will be issued in “book-entry only” form through the facilities of CDS Clearing and Depository Services Inc. (“**CDS**”). Except as otherwise

stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of the Debentures. The closing of the Offering is expected to occur on or about September 3, 2020, or such other date as the REIT and the Underwriters may agree (the actual closing date hereinafter referred to as the “Closing Date”). In any event, the Debentures are to be taken up by the Underwriters, if at all, on or before a date not later than September 11, 2020. See “Plan of Distribution”.

**The earnings coverage ratios for the REIT for the year ending December 31, 2019, and for the 12-month period ending June 30, 2020, are less than one-to-one. See “Earnings Coverage”.**

**The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The REIT is not a partnership. Neither the Debentures nor the Units issuable upon conversion, redemption or maturity of the Debentures, are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.**

**Subject to certain conditions set out under “Eligibility for Investment”, the Debentures and Units issuable upon a conversion, redemption or repayment at maturity of the Debentures would, if issued on the date hereof, constitute a qualified investment for trusts governed by RESPs, RDSPs, RRSPs, RRIFs, TFSAs and DPSPs (as such terms are defined herein). As set out under “Eligibility for Investment”, prospective holders of Debentures or Units who intend to hold their Debentures or Units in their TFSA, RDSP, RRSP, RRIF or RESP should consult their own advisors regarding their particular circumstances.**

Investors should be aware that the acquisition, holding and disposition of Debentures or Units may have tax consequences in Canada and the U.S. and elsewhere depending on each particular investor’s specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. See “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”. **Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of acquiring Debentures under the Offering and Units, if any, pursuant to the terms of the Debentures.**

Mr. John S. Bailey, Ms. Susan Koehn, Mr. W. Daniel Hughes, Jr. and Mr. William A. Halter are Trustees and/or executive officers of the REIT and reside outside Canada. Although such non-resident persons have appointed GODA Incorporators, Inc., 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, as their agent for service of process in Ontario, purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See “Risk Factors” in the Annual Information Form, the Annual MD&A and the Interim MD&A.

The REIT’s head and registered office is located at 333 Bay Street, Toronto, Ontario, M5H 2S7. The head and registered office of BSR Trust, LLC (“BSR”), the REIT’s operating subsidiary, is located at 1209 Orange Street, Wilmington, Delaware, U.S.A, 19801. The principal place of business of BSR is located at 1400 West Markham Street, Suite 202, Little Rock, Arkansas, U.S.A, 72201.

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## IMPORTANT INFORMATION ABOUT THE PROSPECTUS AND THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference herein and therein. The second part is the Prospectus, which gives more general information, some of which may not apply to the Offering. This Prospectus Supplement is deemed to be incorporated by reference in the Prospectus solely for the purpose of the Offering.

If the description of the Debentures varies between this Prospectus and the Marketing Materials (as defined herein), investors should rely on the information in the Prospectus.

A prospective investor should rely on the information contained in this Prospectus, and in the documents incorporated by reference herein, and is not entitled to rely on parts of the information contained in this Prospectus, or documents incorporated by reference herein, to the exclusion of others. The REIT has not authorized anyone to provide investors with additional or different information. The REIT is not offering to sell the Debentures in any jurisdiction where the offer or sale of such Debentures is not permitted. The information contained in this Prospectus, or in the documents incorporated by reference herein, is accurate only as of the respective dates of those documents, and investors should not assume otherwise. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus Supplement.

The REIT is not making an offer of Debentures in any jurisdiction where the offer is not permitted by law.

## INTERPRETATION

In this Prospectus Supplement, unless the context otherwise requires, references to the **"REIT"** refer to BSR Real Estate Investment Trust and its subsidiaries on a consolidated basis; **"Debentures"** means the convertible unsecured subordinated debentures of the REIT being offered pursuant to this Prospectus Supplement; **"Units"** means the trust units of the REIT; and **"Unitholders"** means holders of Units.

References to Canadian dollars or **"C\$"** are to Canadian currency and references to U.S. dollars, **"\$"** or **"US\$"** are to U.S. currency. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

References to **"management"** in this Prospectus Supplement means the persons acting in the capacities of the REIT's Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Chief Investment Officer and Chief Administrative Officer. Any statements in this Prospectus Supplement or incorporated in this Prospectus Supplement by reference made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

All capitalized terms referred to herein are defined under "Glossary of Terms".

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference herein, contains "forward-looking information" as defined under Canadian securities laws (collectively, **"forward-looking statements"**) which reflect management's expectations regarding the completion of the Offering, the proposed use of proceeds thereof, available liquidity and acquisition capacity, objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT (including exit or sale plans, acquisitions, capital recycling, capital redevelopment, and rental rate increases), macroeconomic and industry trends (including those relating to job growth, population growth, vacancy and home ownership rates) and the potential impact of and response measures to be taken with respect to COVID-19. The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or

results “may”, “will”, “could”, “would”, “should”, “might”, “likely”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the REIT, including that the Offering contemplated herein is completed.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this Prospectus Supplement, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein and in the Prospectus, including the documents incorporated by reference herein and therein, including, but not limited to, the Offering being completed on the terms proposed, the REIT’s future growth potential, results of operations, future prospects and opportunities, demographic and industry trends, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect, the continuing availability of capital, current economic conditions and the anticipated impact of COVID-19.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to: (a) the REIT’s ability to execute its growth strategies; (b) the impact of changing conditions in the U.S. multifamily housing market; (c) increasing competition in the U.S. multifamily housing market; (d) the effect of fluctuations and cycles in the U.S. real estate market; (e) the marketability and value of the REIT’s portfolio; (f) changes in the attitudes, financial condition and demand of the REIT’s demographic market; (g) fluctuation in interest rates and volatility in financial markets; (h) developments and changes in applicable laws and regulations; (i) statements regarding the impact of the current global health crisis caused by COVID-19; and (j) such other factors referred to under “Risk Factors” in this Prospectus Supplement and the Base Shelf Prospectus, and the documents incorporated by reference herein and therein, including the REIT’s filings with Securities Commissions or similar authorities in Canada (including the Annual Information Form, the Annual MD&A and the Interim MD&A).

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail under “Risk Factors” should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Certain statements included in this Prospectus, including the documents incorporated by reference herein, may be considered a “financial outlook” for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this Prospectus, including the documents incorporated by reference herein. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of the respective documents. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this Prospectus are qualified by these cautionary statements.

## EXCHANGE RATE INFORMATION

The REIT's portfolio consists of properties located in the states of Arkansas, Texas, Oklahoma and Mississippi. The REIT discloses all financial information contained in this Prospectus Supplement and the Prospectus, including the documents incorporated by reference herein and therein, in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for US\$1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Six months ended June 30	Year ended December 31	
	2020	2019	2018
Highest rate during the period	1.4496	1.3600	1.3642
Lowest rate during the period	1.2970	1.2988	1.2288
Average rate for the period	1.3651	1.3269	1.2957
Rate at the end of the period	1.3628	1.2988	1.3642

On August 28, 2020, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.0000 equals C\$1.3097. The REIT makes no representation that U.S. dollars could be converted into Canadian dollars at that rate or any other rate.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Blake, Cassels & Graydon LLP, Canadian counsel to the Underwriters, based on the current provisions of the Tax Act, (i) the Debentures will, on the Closing Date, be qualified investments for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan ("RESP"), a deferred profit sharing plan ("DPSP") (other than a trust governed by a DPSP for which the REIT is an employer), a registered disability savings plan ("RDSP") or a tax-free savings account ("TFSA") (collectively, the "Exempt Plans"), provided that on that date either (A) the REIT qualifies as a "mutual fund trust" for the purposes of the Tax Act and the Units are listed on a "designated stock exchange" (as defined in the Tax Act) in Canada (which includes the TSX) or (B) the Debentures are listed on a "designated stock exchange", and (ii) the Units will, on the date the Units are issued, be qualified investments for a trust governed by an Exempt Plan, provided that either the REIT qualifies as a "mutual fund trust" for the purposes of the Tax Act or the Units are listed on a "designated stock exchange".

Notwithstanding the foregoing, if the Debentures or the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RDSP, RRIF or RESP, the holder, annuitant or subscriber thereof, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Debentures and the Units will not be a prohibited investment for a TFSA, RRSP, RDSP, RRIF or RESP, provided the holder, annuitant or subscriber of such Exempt Plan, as the case may be, (i) deals at arm's length with the REIT, for purposes of the Tax Act and (ii) does not have a "significant interest" (as defined for the purposes of the prohibited investment rules in the Tax Act) in the REIT. Generally, a holder, annuitant or subscriber of an Exempt Plan, as the case may be, will have a significant interest in the REIT if the holder, annuitant or subscriber, as the case may be, either alone or together with persons or partnerships not dealing at arm's length with the holder annuitant or subscriber, as the case may be, holds, directly or indirectly, interests as a beneficiary under the REIT that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the REIT. In addition, the Units will not be a "prohibited investment" if the Units are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by a TFSA, RRSP, RDSP, RRIF or RESP. Prospective purchasers who intend to hold Debentures or Units in a TFSA, RRSP, RDSP, RRIF or RESP are advised to consult their personal tax advisors.

## NON-IFRS MEASURES

In this Prospectus Supplement and the Prospectus, including the documents incorporated by reference herein and therein, the REIT uses certain non-IFRS financial measures, including certain real estate industry metrics, to

measure, compare and explain the operating results and financial performance of the REIT. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

### FFO, AFFO and NOI

In February 2019, the Real Property Association of Canada (“**REALPAC**”), published a white paper titled “White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS”. The purpose of the white paper is to provide reporting issuers and investors with guidance on the definition of funds from operations (“**FFO**”) and adjusted funds from operations (“**AFFO**”) and to help promote more consistent disclosure from reporting issuers.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the estimated fair value of investment properties, the effect of puttable instruments classified as financial liabilities, property taxes accounted for under IFRS Interpretations Committee – 21 Levies, transaction costs expensed as a result of the purchase of a property being accounted for as a business combination, changes in the fair value of financial instruments which are economically effective hedges but do not qualify or were not designated for hedge accounting and operational revenue and expenses from right to use assets. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT’s method of calculating FFO is substantially in accordance with REALPAC’s recommendations, but may differ from other issuers’ methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as actual maintenance capital expenditures incurred, straight-line rental revenue differences and severance costs associated with the disposition of investment properties. AFFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT’s method of calculating AFFO is substantially in accordance with REALPAC’s recommendations, and may differ from other issuers’ methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance.

Net operating income (“**NOI**”) is defined as total revenue from properties (i.e. rental revenue and other property income) less direct property operating expenses and realty taxes prepared in accordance with IFRS, except for adjustments related to IFRS Interpretations Committee – 21 Levies. NOI should not be construed as an alternative to net income determined in accordance with IFRS. Additionally, the REIT elects to adjust for severance costs on the disposition of investment properties. The REIT’s method of calculating NOI may differ from other issuers’ methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from the income producing properties and is used by the REIT in evaluating the performance of the REIT’s properties. It is also a key input in determining the value of the REIT’s properties.

See the REIT’s Interim MD&A for a reconciliation of FFO, AFFO and NOI to the most directly comparable IFRS measure.

### Other Real Estate Industry Metrics

Additionally, this Prospectus Supplement and the Prospectus, including the documents incorporated by reference herein and therein, may contain several other real estate industry metrics that could be considered non-IFRS financial measures.

- “**AFFO Payout Ratio**” is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.

- **“AFFO per Unit”** is defined as AFFO divided by the weighted average Unit count for the period, which is representative of the combined Units, Class B Units and issued Deferred Units.
- **“Debt to Gross Book Value Ratio”** is calculated by dividing debt, which consists of total loans and borrowings, by Gross Book Value.
- **“FFO per Unit”** is defined as FFO divided by the weighted average Unit count for the period, which is representative of the combined Units, Class B Units and issued Deferred Units.
- **“Gross Book Value”** means the book value of the total assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position prepared in accordance with IFRS. Note that this definition differs from the definition of “Gross Book Value” in the REIT’s Declaration of Trust.
- **“Liquidity”** is defined as (a) cash and cash equivalents (unrestricted), plus (b) borrowing capacity available under any existing credit facilities.
- **“NOI margin”** is defined as NOI divided by total revenue.
- **“Same Community”** results are used by management to evaluate period-over-period performance of investment properties fully-owned by the REIT during both respective periods. Same Community results represent total revenues, property operating expenses, real estate taxes and property tax liability adjustment, net (IFRIC 21). These results remove the impact of acquisitions and dispositions.

### Earnings Coverage Ratio and Supplemental Earnings Coverage Ratio

This Prospectus Supplement contains references to earnings coverage ratio and supplemental earnings coverage ratio, which are non-IFRS financial measures. See “Earnings Coverage”.

## DOCUMENTS INCORPORATED BY REFERENCE

**This Prospectus Supplement is deemed, as of the date hereof, to be incorporated by reference in the Base Shelf Prospectus solely for the purpose of the Offering. Other information has also been incorporated, or is deemed to be incorporated by reference in the Base Shelf Prospectus and reference should be made to the Base Shelf Prospectus for full particulars thereof.**

**Information has been incorporated by reference in the Prospectus from documents filed with the securities commissions or similar authorities in each of the provinces and territories in Canada.** Copies of these documents may be obtained on request without charge from the Chief Financial Officer and Secretary of the REIT at its head offices located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, by telephone at 501.371.6335, or electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

Except to the extent that their contents are modified or superseded by a statement contained herein or in any other subsequently filed document that is also incorporated by reference in this Prospectus Supplement, the following documents or portions of documents filed by the REIT with the Securities Commissions or similar authorities in the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus:

- (a) the audited consolidated annual financial statements of the REIT as at December 31, 2019 and December 31, 2018, for the year ended December 31, 2019 and for the period from January 9, 2018 (date of formation) to December 31, 2018, together with the notes thereto and the auditors’ report thereon (the **“Annual Financial Statements”**);

- (b) the annual management’s discussion and analysis of the results of operations and financial condition of the REIT for the period from January 1, 2019 to December 31, 2019 (the “**Annual MD&A**”);
- (c) the unaudited condensed consolidated interim financial statements of the REIT as at June 30, 2019 and June 30, 2018 and for the three and six months ended June 30, 2020 and June 30, 2019, together with the notes thereto (the “**Interim Financial Statements**”);
- (d) the interim management’s discussion and analysis of the results of operations and financial condition of the REIT for the three and six months ended June 30, 2020 (the “**Interim MD&A**”);
- (e) the annual information form of the REIT dated March 10, 2020 for the year ended December 31, 2019 (the “**Annual Information Form**”);
- (f) the management information circular of the REIT dated March 10, 2020 in respect of the annual general meeting of Unitholders held on May 15, 2020; and
- (g) the template version of the terms sheet for the Offering dated August 27, 2020 filed on SEDAR in connection with the Offering (the “**Marketing Materials**”).

Any documents of the type described in Item 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* and any “template version” of “marketing materials” (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) which are filed by the REIT with the Securities Commissions or similar authorities in the provinces and territories of Canada subsequent to the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference in this Prospectus Supplement and the Base Shelf Prospectus for the purposes of the Offering.

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

## MARKETING MATERIALS

The Marketing Materials are not part of this Prospectus Supplement or the Base Shelf Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus Supplement or any amendment.

Any template version of “marketing materials” (as defined in National Instrument 44-102 – *Shelf Distributions*) filed with the Securities Commissions or similar authority in each of the provinces and territories of Canada in connection with this Offering after the date of this Prospectus Supplement and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated into this Prospectus Supplement and in the Base Shelf Prospectus.

## BUSINESS OF THE REIT

The REIT is an internally managed, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The head office of the REIT is located at 333 Bay Street, Suite 3400, Toronto Ontario M5H 2S7. The REIT was formed for the purpose of acquiring and owning multifamily real estate properties.

The REIT's portfolio of properties currently consists of 39 multifamily residential properties comprising 9,405 apartment units that are located in ten major metropolitan markets within four bordering states throughout the Sunbelt region of the United States, which is generally considered the southeastern and southwestern regions of the United States. The REIT currently operates in Arkansas, Texas, Oklahoma and Mississippi.

Consistent with the REIT's past practices and in the normal course of business, the REIT is continuously engaged in discussions with respect to possible acquisitions of and investments in new assets and businesses, dispositions of existing assets, including those contemplated as a part of the REIT's capital recycling initiatives, and related financings and refinancings. There can be no assurance that any of these discussions will result in a definitive agreement, and, if they do, what the terms or timing of any acquisition, investment, disposition, financing or refinancing would be, if consummated. The REIT expects to continue current discussions and actively pursue acquisition, investment, disposition, financing and refinancing opportunities, which currently, or may from time to time, involve entering into purchase and sale agreements that are subject to various conditions, including due diligence. As of the date hereof, there are no significant probable acquisitions identified by the REIT, whereby financial statements would be required to be included in this Prospectus in order for this Prospectus to contain full, true and plain disclosure.

## RECENT DEVELOPMENTS

There have been no material developments in the business of the REIT since June 30, 2020, the date of the REIT's most recent Interim Financial Statements, which have not been disclosed in this Prospectus, or the documents incorporated by reference herein and therein.

## DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Indenture. In the event of any inconsistency between the terms and conditions of the Debentures as set out in this Prospectus Supplement and such terms and conditions as set out in the Indenture, the terms and conditions set out in the Indenture will prevail. In this section, all references to the "REIT" refer only to BSR Real Estate Investment Trust and not its subsidiaries.

### General

The Debentures will be issued under the Indenture to be entered into between the REIT and the Debenture Trustee on or prior to the Closing Date. The Debentures will be limited to the aggregate principal amount of US\$40,000,000 (plus the aggregate principal amount of any Debentures issuable upon exercise of the Over-Allotment Option). The REIT may, however, from time to time, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date and will mature on the Maturity Date. The Debentures will be issuable only in denominations of US\$1,000 and integral multiples thereof and will bear interest from and including the date of issue at a rate of 5.00% per annum, which will be payable semi-annually in arrears on March 31 and September 30 in each year, commencing on March 31, 2021. The first interest payment will include interest accrued from the Closing Date to, but excluding, March 31, 2021.

The principal amount of the Debentures will be payable in lawful money of the United States or at the option of the REIT and subject to applicable regulatory approval, by the issuance of Units as further described under “Payment upon Redemption or Maturity”. The interest on the Debentures is payable in lawful money of the United States including, at the option of the REIT and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under “Interest Payment Election”.

The Debentures will be direct obligations of the REIT and will not be secured by any mortgage, pledge, hypothec or other charge. The Debentures will rank *pari passu* with each other debenture. The Indenture will not restrict the REIT from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

### TSX Listing

The REIT has applied to have the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option) and the Units issuable upon the conversion, redemption or maturity of the Debentures listed on the TSX. Although the REIT has been granted conditional listing approval, final listing approval is subject to the REIT fulfilling the listing requirements of the TSX.

### Conversion Privilege

The Debentures will be convertible at the holder’s option into fully paid Units at any time prior to the close of business on the earlier of (i) the last business day immediately preceding the Maturity Date, and (ii) the business day immediately preceding the date specified by the REIT for redemption of the Debentures, at the Conversion Price, being US\$14.40 per Unit and representing a conversion rate of approximately 69.4444 Units for each US\$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events in accordance with the provisions of the Indenture. Notwithstanding the foregoing, no Debenture may be converted on the last business day preceding an Interest Payment Date or the Maturity Date.

Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date prior to conversion (or the date of issue of the Debentures if no interest has yet been paid by the REIT) to and including the last record date declared for determining the Unitholders entitled to receive distributions on Units prior to such conversion. In the event that distributions have been suspended (or notice has been given of such suspension), then in addition to the applicable number of Units to be received on conversion, a holder will be entitled to receive accrued and unpaid interest for the period from the last Interest Payment Date prior to the date of conversion to, but excluding the date of conversion. If all conversion rights attaching to the Debentures are exercised and assuming the Over-Allotment Option is exercised in full, the REIT will be required to issue approximately 3,194,444.44 Units, subject to anti-dilution adjustments.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units or securities exchangeable or convertible into Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units or other securities convertible into Units at a price per Unit less than 95% of the Current Market Price on the record date for such issuance; and (d) the distribution to all holders of Units of any securities or assets. There will be no adjustment of the Conversion Price in respect of certain events described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date, as the case may be. The REIT will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, merger, arrangement, acquisition or business combination of the REIT with or into any other entity, or in the case of any sale or conveyance of the

properties and assets of the REIT as, or substantially as, an entirety to any other entity, or a liquidation or termination of the REIT, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation, dissolution, winding-up, or similar transaction, be entitled to receive that number of Units or other securities or property on the exercise of the conversion right that such holder would be entitled to receive if, on the effective date thereof, it had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation dissolution, winding-up, or similar transaction.

No fractional Units will be issued on any conversion but in lieu thereof the REIT will satisfy fractional interests by a cash payment equal to the Current Market Price on the relevant date of any fractional interest.

### **Redemption and Purchase**

The Debentures may not be redeemed by the REIT prior to the First Call Date except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On or after the First Call Date, and prior to September 30, 2024, the Debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days', and not less than 30 days', prior written notice at a price equal to their principal amount plus accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption, provided that the Current Market Price on the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On or after September 30, 2024 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the REIT on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount plus accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable.

Provided that no Event of Default has occurred and is continuing, and subject to applicable laws, the REIT will have the right under the Indenture to purchase Debentures in the market in the ordinary course, by tender or by private contract.

### **Payment upon Redemption or Maturity**

On the date of redemption or on the Maturity Date, the REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of the United States an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, as applicable, together with accrued and unpaid interest thereon up to, but excluding, the date fixed for redemption or Maturity Date, as applicable. The REIT may, at its option, on not more than 60 days', and not less than 30 days', prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on the Maturity Date, in whole or in part, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest up to, but excluding, the date fixed for redemption or Maturity Date, as applicable, will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as applicable.

No fractional Units will be issued on redemption or maturity but in lieu thereof the REIT shall satisfy fractional interests by a cash payment equal to the Current Market Price on the date fixed for redemption or the Maturity Date, as the case may be, of any fractional interest.

## Cancellation

All Debentures redeemed or purchased by the REIT will be surrendered to the Debenture Trustee, will be cancelled and may not be reissued or resold.

## Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. “**Senior Indebtedness**” will be defined in the Indenture to include the principal of and interest on and other amounts in respect of all indebtedness (including any indebtedness to trade creditors) for borrowed money of the REIT (whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed) other than indebtedness evidenced by the Debentures and all other existing and future debentures and indebtedness which, by the terms of the contract or instrument creating or evidencing the indebtedness, or pursuant to which the indebtedness is outstanding, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture of the same series issued under the Indenture, including the Debentures, will rank *pari passu* with each other debenture.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the REIT, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the REIT, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the REIT, those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Indenture will also provide that the REIT will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; (b) at any time when a default, an event of default that is continuing or an acceleration has occurred under any credit facility of the REIT, as amended, restated or replaced from time to time; or (c) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of such default has been given by or on behalf of the holders of such Senior Indebtedness to the REIT, unless such Senior Indebtedness has been repaid in full. The fact that payment on account of indebtedness represented by the Debentures is prohibited under the Indenture will not prevent the failure to make such payment from being an Event of Default under the Indenture.

The Debentures will also be effectively subordinate to claims of creditors of the REIT and the REIT’s subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. Specifically, the Debentures will be subordinated and postponed in right of payment to the prior payment in full of all indebtedness under any credit facility of the REIT.

## Change of Control

Within 30 days following the occurrence of a Change of Control, the REIT will be required to make an offer to purchase all of the Debentures then outstanding (the “**Debenture Offer**”), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon up to, but excluding, the date of purchase (the

**“Debenture Offer Price”**). A **“Change of Control”** will be defined in the Indenture as the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over an aggregate of 66 2/3% or more of the then outstanding Units and Class B Units.

The Indenture will contain notification and repurchase provisions requiring the REIT to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control to the Debenture Trustee have been tendered to the REIT pursuant to the Debenture Offer, the REIT will have the right to redeem all the remaining Debentures at the Debenture Offer Price.

Notice of such redemption must be given by the REIT to the Debenture Trustee within ten days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

### **Interest Payment Election**

Unless an Event of Default has occurred and is continuing, the REIT may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the **“Interest Obligation”**), on an Interest Payment Date, (i) in cash; (ii) by delivering sufficient Units to the Debenture Trustee to facilitate the sale of such Units to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units (the **“Unit Interest Payment Election”**); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the REIT making a Unit Interest Payment Election, the REIT shall: (i) send unit bid requests addressed to investment banks, brokers or dealers identified by the REIT, and (ii) make with each investment bank, broker or dealer to which a unit bid request is so sent all such customary arrangements regarding such unit bid request and the acceptance of the bids made in response thereto and the completion of the transaction resulting from such acceptance as shall be necessary in accordance with customary commercial practices. The Debenture Trustee will then: (i) accept from the investment banks, brokers or dealers identified in such Trust Unit Interest Payment Election Notice (as will be defined in the Indenture) physical delivery of any bids made by such investment banks, brokers or dealers in response to the unit bid requests made to them by the REIT (the **“Response Bid”**), (ii) accept physical delivery from the REIT (or its transfer agent in that regard, as the case may be) of the certificates evidencing the Units which are to be issued pursuant to those Response Bids accepted by the REIT, (iii) invest all proceeds in such sales in securities issued or guaranteed by the Government of Canada, and (iv) use the proceeds, together with any other amount received from the REIT in cash, to satisfy the Interest Obligation.

The Indenture will set forth the procedures to be followed by the REIT and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the REIT) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the REIT in respect of the Interest Obligation.

Neither the REIT’s making of the Unit Interest Payment Election nor the consummation of sales of Units will: (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

The TSX has not approved, conditionally or otherwise, the listing of any Units issued pursuant to the Unit Interest Payment Election. Such approval would be sought by the REIT in the event it elects to make a Unit Interest Payment Election.

### Restriction on Unit Redemption Right

The REIT shall not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Units, dividend or other distribution on the Units or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the unit redemption right of the REIT as described above under “Payment upon Redemption or Maturity” (the “**Unit Redemption Right**”); or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Unit Redemption Right.

### Events of Default

The Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise (whether such payment is due in cash, Units or other securities or property or a combination thereof); (c) a decree or order of a court having jurisdiction is entered adjudging the REIT a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the REIT, or appointing a receiver of, or of any substantial part of, the property of the REIT or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days; (d) the REIT institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the REIT or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; (e) a resolution is passed for the winding-up or liquidation of the REIT, except in the course of carrying out or pursuant to a transaction in respect of which certain conditions are duly observed and performed; (f) after the date of the Indenture, any proceedings with respect to the REIT are taken with respect to a compromise or arrangement with respect to creditors of the REIT generally, under the applicable legislation of any jurisdiction; (g) default in the delivery, when due, of any Units or other consideration payable on conversion with respect to the Debentures, which default continues for 15 days; (h) the REIT fails to comply with the restrictions on amalgamation, merger and sale of certain assets as set out in the Indenture; or (i) default in the observance or performance of any other material covenant contained in certain sections of the Indenture regarding covenants of the REIT by the REIT and the failure to cure (or obtain a waiver for such default) for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the REIT specifying such default and requiring the REIT to remedy such default. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% of the principal amount of the Debentures issued under the Indenture, declare the principal of and interest on all outstanding Debentures issued under the Indenture to be immediately due and payable. In certain cases, the holders of Debentures representing more than 50% of the outstanding principal amount of the Debentures issued

under the Indenture may, on behalf of the holders of all the Debentures issued under the Indenture, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

### Purchase for Cancellation

Subject to regulatory requirements, the REIT may purchase Debentures for cancellation in the market or by tender or private contract at any time.

### Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for Debentures, which would be a take-over bid for Debentures within the meaning of Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids if Debentures were considered equity securities and not less than 90% of the debentures issued under the Indenture (other than debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the debentures issued under the Indenture held by the holders of debentures issued under the Indenture who did not accept the offer on the terms offered by the offeror.

### Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of Debentures representing not less than 66<sup>2/3</sup>% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66<sup>2/3</sup>% of the principal amount of the Debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each affected series.

### Book-Entry System for Debentures

The Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). On the Closing Date, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “**Beneficial Debenture Owner**”) will not be entitled to receive a certificate for Debentures, or, unless requested, for the Units issuable upon the conversion, redemption or maturity of the Debentures. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Debenture Owners thereof in fully registered and certificate form (the “**Debenture Certificates**”) only if: (a) required to do so by applicable law, including where a Debenture Certificate

requires the addition of a legend under applicable securities laws; (b) the book-entry only system ceases to exist; (c) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the REIT is unable to locate a qualified successor; (d) the REIT, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default that is continuing, Participants acting on behalf of Beneficial Debenture Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Debenture Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of any global certificates representing the Debentures, and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the REIT will recognize the holders of such Debenture Certificates as Debenture holders under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the REIT and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

Neither the REIT nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the Beneficial Debenture Owners or the Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this Prospectus Supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Debenture Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the REIT to CDS.

## Governing Law

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

## CONSOLIDATED CAPITALIZATION OF THE REIT

Since June 30, 2020, being the date of the REIT's most recent Interim Financial Statements, there have been no material changes in the capitalization of the REIT on a consolidated basis. As at the date of this Prospectus Supplement, approximately US\$193.1 million is drawn on the Credit Facility.

The following table sets forth the consolidated capitalization of the REIT as at June 30, 2020 and the *pro forma* consolidated capitalization of the REIT as at June 30, 2020 after giving effect to the Offering (including exercise of the Over-Allotment Option by the Underwriters) and the subsequent events described in the Interim MD&A. The table should be read in conjunction with the Interim Financial Statements and notes thereto incorporated by reference in this Prospectus Supplement.

	June 30, 2020 (unaudited)	June 30, 2020 (unaudited— <i>pro forma</i> after giving effect to the Offering and subsequent events described in the Interim MD&A) <sup>(1)</sup> <sup>(2)</sup>
	(US\$000s – except Units)	(US\$000s – except Units)
<b>Indebtedness</b>		
Loans and borrowings	US\$543,055	US\$539,280
Class B Units	US\$228,567	US\$228,567
Debentures	-	US\$46,000
<b>Unitholders' Equity</b>		
Units	US\$312,991	US\$319,827
	22,870,884	23,718,457
<i>(Authorized – unlimited; Issued – 23,718,457)</i>		
<b>Total Capitalization</b>	<b>US\$1,084,613</b>	<b>US\$1,133,674</b>

Notes:

- On July 30, 2020, the REIT acquired Broadstone Park West, a 370 apartment unit, garden style residential community in Houston, Texas, built in 2014, for a contractual purchase price of US\$51.0 million, or US\$137,838 per apartment unit. The REIT funded the transaction with approximately US\$40.0 million on the Credit Facility and the issuance of 847,573 Units to the seller, on a private placement basis.
- Assumes proceeds of the Offering of US\$43,775,000 (gross proceeds of US\$46,000,000, net of Underwriter's Fees of US \$1,725,000 and expenses of the Offering of approximately US\$500,000).

## EARNINGS COVERAGE

The following table sets forth the adjusted earnings coverage ratios for twelve months ended December 31, 2019 and June 30, 2020. The adjusted earnings coverage ratios set forth below were prepared in accordance with applicable Canadian securities requirements derived from the Interim Financial Statements and the Annual Financial Statements. Stated in US\$000's unless otherwise stated.

	Twelve months ended June 30, 2020 (actual)	Year ended December 31, 2019 (actual)	Twelve months ended June 30, 2020 (pro forma after giving effect to the Offering)	Year ended December 31, 2019 (pro forma after giving effect of the Offering)
<b>Earnings Coverage Ratio<sup>(1)</sup></b>	0.96	-0.57	0.86	-0.52
<b>Supplemental Earnings Coverage Ratio<sup>(2)</sup></b>	1.24	1.34	1.11	1.23

Notes:

- Earnings Coverage Ratio is a non-IFRS measure, calculated as net income (loss) and comprehensive income (loss) plus borrowing costs, divided by borrowing costs. Borrowing costs are calculated as the combination of finance costs from operations and distributions on Class B Units.
- Supplemental Earnings Coverage Ratio is a non-IFRS measure, calculated as net income (loss) and comprehensive income (loss) plus borrowing costs, fair value adjustment to investment properties, and fair value adjustment to derivatives and other financial liabilities, divided by borrowing costs.

For the twelve months ended June 30, 2020, the REIT's actual borrowing cost requirements, before giving effect to the issue of the Debentures, amounted to \$35,388. The REIT's net income before borrowing costs and income tax for the twelve months ended June 30, 2020 was \$33,814, which is 0.96 times the REIT's borrowing cost requirements for this period. Using the Supplemental Earnings Coverage Ratio calculation for the twelve months ended June 30, 2020, the REIT's net income before borrowing costs, income tax, fair value adjustment to investment properties and fair value adjustment to derivatives and other financial liabilities was \$43,949, which is 1.24 times the REIT's borrowing cost requirements for this period.

For the twelve months ended June 30, 2020, the REIT's pro forma borrowing cost requirements amounted to \$39,426, after giving effect to the issue of the Debentures (but excluding any exercise of the Over-Allotment Option), as well as loans and borrowings issued to complete acquisitions and redeemed as a result of dispositions since June 30, 2020. The REIT's net income before borrowing costs and income tax for the twelve months ended June 30, 2020 was \$33,814, which is 0.86 times the REIT's borrowing cost requirements for this period. In order for the pro forma Earnings Coverage Ratio to equate to one-to-one, the numerator would have to increase by \$5,612 for the twelve months ended June 30, 2020. Using the Supplemental Earnings Coverage Ratio calculation for the twelve months ended June 30, 2020, the REIT's net income before borrowing costs, income tax, fair value adjustment to investment properties and fair value adjustment to derivatives and other financial liabilities was \$43,949, which is 1.11 times the REIT's borrowing cost requirements for this period.

For the year ended December 31, 2019, the REIT's actual borrowing cost requirements, before giving effect to the issue of the Debentures, amounted to \$33,953. The REIT's net loss before borrowing costs and income tax for the twelve months then ended was (\$19,254), which is (0.57) times the REIT's borrowing cost requirements for this period. Using the Supplemental Earnings Coverage Ratio calculation for the year ended December 31, 2019, the REIT's net income before borrowing costs, income tax, fair value adjustment to investment properties and fair value adjustment to derivatives and other financial liabilities was \$45,452, which is 1.34 times the REIT's borrowing cost requirements for this period.

For the year ended December 31, 2019, the REIT's pro forma borrowing cost requirements amounted to \$37,035, after giving effect to the issue of the Debentures (but excluding any exercise of the Over-Allotment Option), as well as loans and borrowings issued to complete acquisitions and redeemed as a result of dispositions since December 31, 2019. The REIT's net loss before borrowing costs and income tax for the year then ended was (\$19,254), which is (0.52) times the REIT's borrowing cost requirements for this period. In order for the Earnings Coverage Ratio to equate to one-to-one, the numerator would have to increase by \$56,289 for the year ended December 31, 2019. Using the Supplemental Earnings Coverage Ratio calculation for the year ended December 31, 2019, the REIT's net income before borrowing costs, income tax, fair value adjustment to investment properties and fair value adjustment to derivatives and other financial liabilities was \$45,452, which is 1.23 times the REIT's borrowing cost requirements for this period.

The pro forma earnings assume that there are no additional earnings derived from the net proceeds of the Offering. The pro forma borrowing costs assumes that the issuance of the Debentures being offered under the Offering and any issuance and repayment of financial liabilities which occur after the beginning of a relevant period, were issued or repaid, as the case may be, at the beginning of such period and the repayment of the long term debt with the proceeds to be realized on the sale of the Debentures under the Offering.

The borrowing cost requirements have been calculated by taking the borrowing costs obligations on all financial liabilities, incorporating the annualized interest relating to the Offering net of expenses (before the exercise of the Over-Allotment Option) as if it had been issued at the beginning of the period.

The "Net income (loss) before borrowing costs and income tax" calculations above do not adjust for material non-cash items, as described in the financial statements of the REIT that are incorporated by reference into this Prospectus Supplement.

## USE OF PROCEEDS

The estimated net proceeds to the REIT from the Offering, after deducting the Underwriters' Fee but before deducting the estimated expenses of the Offering, will be approximately US\$38,500,000.

The REIT expects that the net proceeds of the Offering will be used to repay a portion of amounts outstanding on the REIT's Credit Facility (current outstanding balance of US\$193 million) and for general trust purposes. However, management of the REIT will have discretion with respect to the actual use of the net proceeds of the Offering. In addition, the REIT may, from time to time, issue securities (including equity securities) other than pursuant to this Prospectus Supplement. See "Risk Factors".

The indebtedness under the Credit Facility was incurred by the REIT within the previous two years to generally fund acquisitions, the internal capital redevelopment program and working capital.

## PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the Underwriting Agreement, the REIT has agreed to issue and sell, and the Underwriters have severally agreed to purchase on the Closing Date, subject to compliance with all necessary legal requirements and the terms and conditions contained in the Underwriting Agreement, an aggregate of US\$40,000,000 principal amount of Debentures payable in cash to the REIT against delivery of such Debentures.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several). If one or more of the Underwriters fail to purchase their applicable percentages of the Debentures, the other Underwriters may, but are not obligated to, purchase on a pro rata basis all, but not less than all, of the Debentures which would otherwise have been purchased by the refusing Underwriter.

The obligations of each Underwriter under the Underwriting Agreement are conditional and may be terminated at their discretion pursuant to the "disaster out", "regulatory out", "tax out" and "material change out" provisions in the Underwriting Agreement. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased under the Underwriting Agreement.

The Underwriting Agreement provides that the REIT will pay to the Underwriters the Underwriters' Fee of US\$1,500,000, representing 3.75% of the gross proceeds of the Offering in consideration for their services in connection with the Offering, with net proceeds of the Offering to the REIT (before deducting the expenses of the Offering) being US\$38,500,000.

The terms of the Offering, including the Offering Price, were determined by negotiation between the REIT and BMO, on its own behalf and on behalf of the Underwriters.

The REIT has granted the Underwriters the Over-Allotment Option, exercisable once in whole or on multiple occasions in part at any time and from time to time, as applicable, up to 30 days following the Closing Date, to purchase up to an additional US\$6,000,000 aggregate principal amount of Debentures on the same terms and conditions as set forth above solely to cover over-allocations, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public will be US\$46,000,000.00, the total Underwriters' Fee will be US\$1,725,000.00 and net proceeds to the REIT (before deducting the expenses of the Offering) will be US\$44,275,000. This Prospectus Supplement qualifies the grant of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Over-Allotment Option acquires those Debentures under this Prospectus Supplement, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The REIT has applied to have the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option) and the Units issuable upon the conversion, redemption or maturity of the Debentures, listed on the TSX. The TSX has conditionally approved the REIT's listing application. Listing of the Debentures is subject to the REIT fulfilling all of the listing requirements of the TSX. The outstanding Units are listed for trading on the TSX in U.S.

dollars under the symbol “HOM.U” and in Canadian dollars under the symbol “HOM.UN”. The price of the Units on the TSX at the close of business on August 26, 2020 (the last full trading day prior to the announcement of the Offering) was US\$10.45 and C\$13.75, respectively.

Under the Underwriting Agreement, the REIT has agreed to indemnify and hold harmless the Underwriters and their respective subsidiaries and affiliates, and each of their respective directors, officers, employees, partners and agents against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

The REIT has agreed with the Underwriters that, for a period of 90 days following the Closing Date, it will not, without the prior written consent of BMO, on behalf of the Underwriters, such consent not to be unreasonably withheld, directly or indirectly issue any Units or securities or other financial instruments convertible into or having the right to acquire Units (other than pursuant to rights or obligations under securities or instruments outstanding) or enter into any agreement or arrangement under which the REIT acquires or transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether that agreement or arrangement may be settled by the delivery of Units or other securities or cash, or agree to become bound to do so, or disclose to the public any intention to do so, provided however, that the consent of BMO, on behalf of the Underwriters, will not be required for the issuance of securities: (i) by the REIT to a vendor in connection with any acquisition(s); (ii) by the REIT upon valid redemption of Class B Units, or (iii) pursuant to the REIT’s omnibus equity incentive plan; (iv) in connection with obligations under existing agreements.

This Offering is being made in each of the provinces and territories of Canada. The Debentures and the Units issuable upon conversion, redemption or maturity of the Debentures have not been and will not be registered under the U.S. Securities Act or any state securities laws. Accordingly, the Debentures and the Units issuable upon conversion, redemption or maturity of the Debentures may not be offered, sold or delivered within the United States, and each Underwriter has agreed that it will not offer, sell or deliver the Debentures and the underlying Units within the United States.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy the Debentures in the United States or to, or for the account or benefit of, U.S. persons.

The Underwriters propose to offer the Debentures initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Debentures offered under this Prospectus Supplement at such price, the initially stated Offering Price may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than the initially stated Offering Price and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Debentures is less than the gross proceeds paid by the Underwriters to the REIT.

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Debentures will be issued in “book-entry only” form through the facilities of CDS. Except as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of the Debentures.

A book-based system global certificate or electronic deposit evidencing the Debentures will be issued to the Underwriters for deposit with CDS on the Closing Date. The global certificate or electronic deposit will be held by, or on behalf of, CDS as custodian of such certificate or electronic deposit for CDS participants, and registered in the name of CDS. The name in which a global certificate or electronic deposit is issued is for the convenience of the book-based system only.

CDS participants include securities brokers and dealers, banks and trust companies. An investor who purchases Debentures will therefore receive only a customer confirmation from the registered dealer who is a CDS participant and through whom the Debentures are purchased. See “Description of the Debentures – Book-Entry System for Debentures.”

Closing of the Offering is expected to take place on September 3, 2020 but may be such other date as the REIT and the Underwriters may agree (but not later than September 11, 2020).

### PRIOR SALES

The following table sets forth the details regarding all issuances of Units, including issuances of all securities convertible into or redeemable for Units, for the 12-month period prior to the date of this Prospectus Supplement.

Date of Issuance	Security Issued	Reason for Issuance	Number of Securities Issued	Price (US\$)
September 17, 2019	Trust Units	Offering of Trust Units	3,797,300	10.60
September 17, 2019	Trust Units	Private Placement of Trust Units	1,416,000	10.60
July 30, 2020	Trust Units	Private Placement of Trust Units in connection with the acquisition of Broadstone Park West	847,573	12.25
September 3, 2019 - June 29, 2020	Trust Units	Trust Units issued for Class B Unit redemptions	876,054	10.59 - 10.77
September 16, 2019 - August 17, 2020	Deferred Units	Deferred Units granted to Trustees of the REIT as distribution equivalents	5,652	9.00 - 13.02
September 16, 2019 - August 17, 2020	Restricted Units	Restricted Units granted to executive officers of the REIT as distribution equivalents	3,857	9.00 - 13.02
September 16, 2019 - August 17, 2020	Performance Units	Performance Units granted to executive officers of the REIT as distribution equivalents	6,148	9.00 - 13.02
September 30, 2019 - June 30, 2020	Deferred Units	Deferred Units granted to Trustees of the REIT in satisfaction of retainer fees and meeting fees	55,031	8.93 - 11.71
January 2, 2020 - May, 18 2020	Trust Units	Trust Units issued to executive officers of the REIT in satisfaction of vested Restricted Units	21,061	9.76 - 11.59

### PRICE RANGE AND TRADING VOLUME OF UNITS

The Units are listed for trading on the TSX in U.S. dollars under the symbol "HOM.U" and in Canadian dollars under the symbol "HOM.UN". The following table shows the monthly range of high and low prices per Unit and total monthly volumes traded on the TSX for the 12-month period prior to the date of this Prospectus Supplement.

Period	Price Per Unit Monthly High		Price Per Unit Monthly Low		Total Monthly Volume (Units)
	(C\$)	(US\$)	(C\$)	(US\$)	
September 2019	14.99	11.19	13.58	10.04	2,083,931
October 2019	15.53	11.88	14.28	10.74	1,692,391
November 2019	17.00	12.74	15.36	11.57	1,956,578
December 2019	17.34	12.75	15.15	11.60	991,251
January 2020	16.73	12.72	14.81	11.38	1,397,433
February 2020	17.74	13.35	16.10	11.91	1,128,658
March 2020	17.56	13.10	11.00	7.51	2,502,626
April 2020	13.98	10.08	10.97	7.70	1,028,722
May 2020	14.95	10.99	12.76	8.90	703,805
June 2020	15.16	11.40	13.55	10.04	660,714
July 2020	14.77	10.86	13.25	9.81	618,144
August 1- 28, 2020	14.39	10.94	13.33	10.00	508,452

On August 28, 2020, being the last day on which the Units traded prior to the date of this Prospectus Supplement, the closing price of the Units was US \$10.94 and C\$13.99.

#### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Blake, Cassels & Graydon LLP, Canadian counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to the acquisition, holding and disposition of Debentures acquired under this Offering and Units acquired pursuant to the terms of the Debentures (collectively, the “**Subject Securities**”). This summary is applicable to a holder who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm’s length with the REIT and the Underwriters and is not affiliated with the REIT or any Underwriter and holds the Subject Securities as capital property (in this section, referred to as a “**Holder**”). The Subject Securities generally will be capital property to a Holder provided that the Holder does not hold the Subject Securities in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Subject Securities as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Subject Securities, and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Subject Securities as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a “financial institution” subject to the mark-to-market rules in the Tax Act; (ii) that is a “specified financial institution” for purposes of the Tax Act; (iii) an interest in which would be a “tax shelter investment” within the meaning of the Tax Act; (iv) that has elected to determine its “Canadian tax results” in a foreign currency pursuant to the “functional currency” reporting rules in the Tax Act; (v) that has entered or will enter into a “derivative forward agreement”, as defined in the Tax Act, with respect to any Subject Securities; (vi) that owns more than 10% of the outstanding Units as determined for U.S. tax purposes at any relevant time (See “Certain U.S. Federal Income Tax Considerations”); or (vii) that is subject to U.S. federal income tax or withholding with respect to payments of interest on the Debentures or any sale, exchange, redemption or other disposition of the Subject Securities (See “Certain U.S. Federal Income Tax Considerations”). Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and

disposition of Subject Securities. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Subject Securities under this Offering.

This summary assumes that either the TSX Publicly Traded Exception or the U.S. Publicly Traded Exception applies in respect of the Units. See “Certain U.S. Federal Income Tax Considerations”.

This summary is based on the facts set out in this Prospectus Supplement, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (“**Proposed Amendments**”), counsels’ understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”), and a certificate as to certain factual matters from an executive officer of the REIT. Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all or that the CRA will not change its administrative policies or assessing practices. Amendments to the Tax Act or to the Proposed Amendments could significantly alter the tax status of the REIT or the tax consequences of investing in Units.

In this section, all references to the “REIT” refer only to BSR Real Estate Investment Trust and not its subsidiaries.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Subject Securities. The income and other tax consequences of acquiring, holding or disposing of Subject Securities will vary depending on a Holder’s particular status and circumstances, including the province or territory in which the Holder resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any prospective Holder of Subject Securities. A prospective Holder should consult its own tax advisors for advice with respect to the income tax consequences of an investment in Subject Securities in its own circumstances.**

**This summary does not address Canadian federal tax considerations applicable to purchasers of Debentures who are non-residents of Canada for purposes of the Tax Act, and such purchasers should consult their own tax advisors regarding the tax consequences to them of acquiring, holding and disposing of Subject Securities. Distributions on Subject Securities or amounts paid in respect thereof, whether in cash or Units, and the issuance of Units on conversion, redemption or repayment of Debentures, will be paid or issued net of any applicable withholding tax.**

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Subject Securities must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard. An investment in Subject Securities will be denominated in U.S. dollars and distributions on Subject Securities will be paid in U.S. dollars. Accordingly a Holder of Subject Securities must convert such amounts to Canadian dollars for purposes of the Tax Act.

### Status of the REIT

This summary assumes the REIT will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. An executive officer of the REIT has advised counsel that the REIT has at all times since its inception and is expected to continue to meet the requirements necessary for it to qualify as a mutual fund trust at all times. **If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations could be materially and adversely different from those described below.**

This summary is also based on the assumption that the REIT will at no time be a “SIFT trust”, as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the “**SIFT Rules**”). The SIFT Rules effectively tax certain income of a publicly traded trust or partnership that is distributed to its investors on the same basis as

would have applied had the income been earned through a taxable Canadian corporation and distributed by way of dividend to its shareholders. These rules apply only to “SIFT trusts” and “SIFT partnerships” (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust’s “non-portfolio earnings” are not deductible in computing the SIFT trust’s net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, “non-portfolio properties” (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as “eligible dividends” for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation’s “general rate income pool” or “low rate income pool”, as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any non-portfolio property and does not carry on business in Canada in that year. An executive officer of the REIT has advised counsel that the REIT has not and does not currently intend to own any non-portfolio property or carry on a business in Canada.

If the REIT were to become subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature and extent of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of Unitholders.

For the remainder of this summary, it is assumed that the REIT will not own any non-portfolio property or carry on business in Canada and, accordingly, will not be a SIFT trust.

## Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, foreign accrual property income (“**FAPI**”) in respect of its “controlled foreign affiliates”, dividends received from BSR REIT Holdings, Inc. (“**BSR Holdings**”), and any net realized taxable capital gains.

BSR Holdings is a “foreign affiliate” and a “controlled foreign affiliate” of the REIT for purposes of the Tax Act. To the extent that BSR Holdings or any other controlled foreign affiliate of the REIT earns in a particular taxation year income that is characterized as FAPI for purposes of the Tax Act, the amount of such FAPI allocable to the REIT must be included in computing the income of the REIT for the taxation year of the REIT in which the taxation year of BSR Holdings (or such other controlled foreign affiliate) ends whether or not the REIT actually receives a distribution of FAPI in that year. The FAPI relating to the shares of BSR Holdings and BSR will include FAPI earned directly or indirectly by BSR Holdings or BSR, as the case may be, (including FAPI earned directly or through any subsidiary partnerships). If an amount of FAPI is included in computing the income of the REIT for Canadian tax purposes, an amount may be deductible in respect of the “foreign accrual tax” (“**FAT**”) applicable to the FAPI as computed in accordance with the Tax Act. As the REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes, the amount of U.S. federal income tax payable by BSR Holdings and the REIT on its operating income is not expected to be material, and it is not expected that there would be a material related FAT deduction available to apply against any FAPI in respect of BSR Holdings or any other controlled foreign affiliate of the REIT.

The adjusted cost base to the REIT of its shares in BSR Holdings will be increased by the net amount of FAPI included in the income of the REIT in respect of FAPI earned by BSR Holdings and/or allocated to BSR Holdings (net

of any applicable FAT deduction relating to such FAPI). At such time as the REIT receives a dividend from BSR Holdings, the amount included in income in respect of that dividend will effectively be reduced by any amount(s) so added to the adjusted cost base to the REIT of its shares of BSR Holdings (for clarity, net of any applicable FAT deduction) and there will be a corresponding deduction in the adjusted cost base to the REIT of its shares of BSR Holdings. In the current circumstances of the REIT and its controlled foreign affiliates, a portion of the income earned directly or indirectly by BSR Holdings and/ or BSR (including income earned through subsidiary partnerships) will be FAPI and, accordingly, will be required to be included in computing the income of the REIT for Canadian federal income tax purposes on an accrual basis as described above.

For the purposes of the Tax Act, all income of the REIT (including FAPI) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies, gains or losses may be realized by the REIT as a consequence of fluctuations in the relative value of the Canadian currency and the applicable foreign currencies.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Debentures or Units generally may be deducted by the REIT on a five-year, straight-line basis, pro-rated for short taxation years.

The REIT may generally deduct from its income for a taxation year amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if a Unitholder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT intends to make one or more in-kind distributions in that year in the form of additional Units. Income of the REIT payable in a taxation year of the REIT to the Unitholders in the form of additional Units will generally be deductible to the REIT in computing its income for that year.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property in specie to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains, as the case may be) and such amount may be deductible by the REIT in computing its income. Certain Proposed Amendments would generally prohibit the REIT from deducting in the computation of the REIT's income, the portion of an amount paid to a redeeming Holder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming unitholders. If such Proposed Amendments are enacted in their current form, any such income (including any taxable capital gains) may be made payable to non-redeeming unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and/or taxable component of distributions to non-redeeming Holders of the REIT may be greater than would have been the case in the absence of such amendments.

## Taxation of Debenture Holders

### Taxation of Interest on Debentures

A Holder that is a corporation, unit trust or a trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Debentures that accrues (or is deemed to accrue) to the Holder to the end of that taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that becomes receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that the Holder included that interest in computing its income for a preceding taxation year.

Any other Holder (including an individual, other than a trust described above) will be required to include in computing its income for a taxation year all interest on the Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the Holder included that interest in income for a preceding taxation year. In addition, if at anytime, a Holder's Debentures should become "investment contracts" (as defined in the Tax Act) in relation to such Holder, such Holder will be required to include in computing its income for a taxation year all interest (not otherwise required to be included in income) that accrues or is deemed to accrue on the Holder's Debentures to the end of any "anniversary day" (as defined in the Tax Act). For this purpose, an anniversary day means the day that is one year after the day immediately preceding the date of issue of a Debenture, the day that occurs at every successive one year interval from that date and the day on which the Debenture is disposed of.

Any amount paid by the REIT to a Holder as a penalty or bonus on the redemption, repayment or repurchase of all or part of the principal amount of a Debenture generally will be deemed to be interest received at that time by such Holder, but only to the extent that such amount can reasonably be considered to relate to, and does not exceed the value on such date of, the interest that would have been paid or payable by the REIT on the Debenture for taxation years of the REIT ending after that time.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on its "aggregate investment income" (as defined in the Tax Act), including amounts in respect of interest on the Debentures.

### Exercise of Conversion Privilege

A Holder who converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of acquisition and the amount of any cash received in lieu of fractional Units (less the amount received or deemed to be received on account of interest as discussed above). The Holder may realize a capital gain or capital loss, computed as described below under "Dispositions of Debentures".

The cost to the Holder of the Units so acquired will be equal to the fair market value thereof at the time of acquisition, and must be averaged with the adjusted cost base of all other Units of the Holder held as capital property at the time of acquisition for the purpose of calculating the adjusted cost base of such Units to the Holder.

### Redemption or Repayment of Debentures

If the REIT redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder on such redemption or repayment (other than any portion of such amount received or deemed to be received on account of interest). If the Holder receives Units (including any cash delivered in lieu of a fraction of a Unit) on redemption

or repayment, the Holder will be considered to have received an amount equal to the aggregate of the fair market value of the Units so received at the time of acquisition and the amount of any cash received in lieu of fractional Units. The Holder may realize a capital gain or capital loss computed as described below under “Dispositions of Debentures”. The cost to the Holder of the Units so received will also be equal to the fair market value thereof, and must be averaged with the adjusted cost base of all other Units held as capital property at the time of the acquisition for the purpose of calculating the adjusted cost base of such Units to the Holder.

### **Dispositions of Debentures**

A disposition or deemed disposition by a Holder of a Debenture (including on a conversion, redemption or repayment on maturity of such Debenture) generally will result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) is greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. The tax treatment of capital gains and capital losses is generally discussed below under the heading “Taxation of Unitholders – Capital Gains and Losses”.

Upon an assignment or other transfer of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder’s income, except to the extent such amount was otherwise included in the Holder’s income, and will be excluded in computing the Holder’s proceeds of disposition.

### **Refundable Tax**

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to an additional refundable tax in respect of its “aggregate investment income” (as defined in the Tax Act) for the year, which will include capital gains realized on a disposition of Debentures.

### **Alternative Minimum Tax**

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Debentures.

## **Taxation of Unitholders**

### **REIT Distributions**

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including FAPI attributed to the REIT, dividends received by the REIT from BSR Holdings and any net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, such portion of its net taxable capital gains and foreign source income that are paid or become payable to a Holder will generally retain their character as taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a year will not be included in computing the Holder’s income for the year. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year generally should not be included in the Holder’s income for the year, but such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder’s adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

## **Foreign Tax Credits and Deductions**

To the extent a Holder is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act, and as described in the ensuing paragraphs; provided, however, that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Holder also files a U.S. federal income tax return to establish the Holder's final U.S. income tax liability for the year and the Holder is not entitled to a refund of such tax.

The U.S. withholding tax deducted in respect of a distribution paid on a Unit in a taxation year will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year where the Holder has sufficient non-business income from U.S. sources, to the extent permitted by the Tax Act and that such tax has not been deducted in computing the Holder's income. Alternatively, such non-business income tax (including any amount not deductible from tax otherwise payable as a foreign tax credit) generally may be deducted by the Holder in computing the Holder's net income for the purposes of the Tax Act.

A Holder's ability to apply U.S. withholding taxes in the foregoing manner may be affected where the Holder does not have sufficient taxes otherwise payable under Part I of the Tax Act, or sufficient U.S. source income in the taxation year the U.S. withholding taxes are paid, or where the Holder has other U.S. sources of income or losses, or has paid other U.S. taxes. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own circumstances.

## **Disposition of Units**

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (determined, in the case of a redemption, as discussed below) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments and may be reduced as a consequence of distributions paid by the REIT in excess of its net income as described above. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base of a Unit to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition.

A redemption of Units in consideration for cash, redemption notes, or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to the amount of such cash or the fair market value of such redemption notes or other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, to the extent that such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gains realized by the REIT in connection with the distribution of property in specie on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income the amount of any interest or other income derived from the property, in accordance with the provisions of the Tax Act.

## Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "allowable capital loss") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

## Refundable Tax

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to an additional refundable tax in respect of its "aggregate investment income" (as defined in the Tax Act) for the year, which will include all or substantially all income and capital gains paid or payable to the Holder by the REIT and capital gains realized on a disposition of Units.

## Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to the Holder and that is designated as net taxable capital gains.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

**THIS SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS AND THE REIT'S ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST.**

In the opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., U.S. counsel to the REIT, the following is a description of (i) certain U.S. federal income tax consequences of the treatment of the REIT as a real estate investment trust and (ii) certain U.S. federal income tax consequences to non-U.S. Debenture Holders (as defined below) of the purchase, ownership and disposition of the Debentures (and the Units into which the Debentures may be converted).

On December 22, 2017, H.R. 1, informally titled the Tax Cuts and Jobs Act ("TCJA"), was signed into law. TCJA made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, including several provisions of the Code that may affect the taxation of U.S. real estate investment trusts and their Unitholders. On March 27, 2020, legislation intended to support the economy during the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), was signed into law. The CARES Act made technical corrections, or temporary modifications, to certain of the provisions of the TCJA. The most significant of these provisions are described below. While the changes generally appear to be favorable with respect to real estate investment trusts, the extensive changes to non-REIT provisions in the Code may have unanticipated consequences to the REIT, its Unitholders or holders of the Debentures. It is also possible additional legislation could be enacted in the future as a result of the COVID-19 pandemic which may affect the REIT, its Unitholders or the holders of the Debentures. Prospective investors are urged to consult with their tax advisors with respect to the TCJA changes, the CARES Act changes and any other regulatory or administrative developments and proposals and their potential effect on investment in the Debentures or the Units.

This summary is based on the Code, the regulations promulgated by the U.S. Treasury Department, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect.

The statements in this section and the opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. referred to below are based on the Code, current, temporary and proposed U.S. Treasury Regulations, the legislative history of the Code, current administrative interpretations and practices of the IRS and court decisions. The reference to IRS interpretations and practices includes the IRS practices and policies endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that received the ruling. In each case, these sources are relied upon as they exist on the date of this discussion. Future legislation, U.S. Treasury Regulations, administrative interpretations, and court decisions could change the current law or adversely affect existing interpretations of current law on which this information in this section is based. Any such change could apply retroactively. The REIT has not received any rulings from the IRS concerning its qualification as a U.S. real estate investment trust. Accordingly, even if there is no change in applicable law, no assurance can be provided that statements made in this section, which do not bind the IRS or the courts, will not be challenged by the IRS or sustained by a court if so challenged.

## **Taxation of the REIT**

### **U.S. Status**

Although the REIT is organized as an unincorporated trust under Canadian law, the REIT is classified as a corporation for U.S. federal income tax purposes under current Treasury Regulations. The discussion herein reflects this classification and uses terminology consistent with this classification, including references to “dividends” and “earnings and profits.” Furthermore, pursuant to Section 7874 of the Code, the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity.

### **Real Estate Investment Trust Status**

The REIT elected to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with its initial taxable year ending December 31, 2018. The REIT believes that it is organized and operates in such a manner so as to qualify for taxation as a real estate investment trust under the U.S. federal income tax laws, and the REIT intends to continue to operate in such a manner, but no assurance can be given that the REIT will operate in a manner so as to remain qualified as a real estate investment trust. These laws are highly technical and complex.

In connection with this Prospectus Supplement, Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. is rendering an opinion to the REIT to the effect that, commencing with its first taxable year ending December 31, 2018, the REIT has been organized in conformity with the requirements for qualification and taxation as a real estate investment trust under the Code, and that the REIT’s organization and current and proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a real estate investment trust for its taxable year ending December 31, 2020 and subsequent taxable years. Investors should be aware that Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.’s opinion is based upon customary assumptions, is conditioned upon certain representations made by the REIT as to factual matters, including representations regarding the nature of the REIT’s assets and the conduct of its business, and is not binding upon the IRS or any court and speaks as of the date issued. In addition, Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.’s opinion is based on existing U.S. federal income tax laws governing qualification as a real estate investment trust, which is subject to change either prospectively or retroactively. Moreover, the REIT’s qualification and taxation as a real estate investment trust depends upon its ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal income tax laws. Those qualification tests involve the percentage of income that the REIT earns from specified sources, the percentage of the REIT’s assets that fall within specified categories, the diversity of the REIT’s stock ownership, and the percentage of earnings that the REIT distributes. Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. will not review the REIT’s compliance with those tests on a continuing basis. Accordingly, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy such requirements. Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.’s opinion does not foreclose the possibility that the REIT may have to use one or more of the REIT savings provisions described below, which would require the REIT to pay an excise or penalty tax (which could

be material) in order for it to maintain its real estate investment trust qualification. For a discussion of the tax consequences of the REIT's failure to qualify as a real estate investment trust, see "Failure to Qualify".

### **General U.S. Federal Income Tax Considerations of Real Estate Investment Trust Status**

The REIT generally will not be subject to U.S. federal income tax on the portion of its taxable income, including capital gain, that is distributed to Unitholders. The REIT expects to distribute amounts at least equal to the REIT's taxable income, including capital gain, on an annual basis. The REIT would be subject to U.S. federal income tax at normal corporate rates on any taxable income, including capital gain, not distributed.

The REIT is generally not subject to U.S. federal income tax on income that is distributed currently to Unitholders, but the REIT will be subject to U.S. federal income tax as follows:

- The REIT will pay U.S. federal income tax on its taxable income, including net capital gain, that the REIT does not distribute to Unitholders during, or within a specified time after, the calendar year in which the income is earned.
- If due to reasonable cause and not willful neglect the REIT fails to satisfy either the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintains its qualification as a real estate investment trust because other requirements are met, the REIT will be subject to a 100% tax on the greater of the amount by which it fails the 75% gross income test or the 95% gross income test, multiplied in either case by a fraction intended to reflect the REIT's profitability.
- If the REIT fails to satisfy the 5% asset test or the 10% vote or value test (and does not qualify for a *de minimis* safe harbour) or fails to satisfy the other asset tests, each of which is discussed below, and nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a tax equal to the greater of US\$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the date (which must be within six months after the last day of the quarter in which the failure is identified) that the REIT disposes of the assets or otherwise satisfies the tests.
- If the REIT fails to satisfy one or more real estate investment trust requirements other than the gross income tests and the asset tests, and such failure was due to reasonable cause and not wilful neglect, the REIT would be subject to a penalty of US\$50,000 for each such failure.
- If the REIT has net income from "prohibited transactions," which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax.
- If the REIT elects to treat property that it acquires in connection with a foreclosure of a mortgage loan or from certain leasehold terminations as "foreclosure property," the REIT may thereby avoid (a) the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction) and (b) the inclusion of any income from such property not qualifying for purposes of the real estate investment trust gross income tests discussed below, but the income from the sale or operation of the property may be subject to United States corporate income tax at the highest applicable rate.
- The REIT may be required to pay monetary penalties to the IRS in certain circumstances, including if the REIT fails to meet recordkeeping requirements intended to monitor its compliance with rules relating to the composition of a real estate investment trust's unitholders, as described below in "—Qualification as a Real Estate Investment Trust."

- If the REIT fails to distribute during each calendar year at least the sum of:
  - (a) 85% of its real estate investment trust ordinary income for such calendar year;
  - (b) 95% of its real estate investment trust capital gain net income for such calendar year, other than capital gains it elects to retain and pay tax on as described below; and
  - (c) any undistributed taxable income from prior taxable years,

it would be subject to a 4% non-deductible excise tax on the excess of such required distribution over the amounts the REIT actually distributed. If the REIT were to retain and pay income tax on any of its net long-term capital gain, such retained amounts would be treated as having been distributed for purposes of the 4% excise tax.

- A 100% tax may be imposed on some items of income and expense that are directly or indirectly paid between a real estate investment trust and a TRS, if and to the extent that the IRS successfully determines that the transaction was not at arms-length and adjusts the reported amount of these items. Such transactions will include those pursuant to which a TRS provides services to its parent real estate investment trust.
- If the REIT acquires any asset from a C corporation, or a corporation that generally is subject to full corporate level tax, in a merger or other transaction in which the REIT acquires a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, the REIT will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of the asset during the five-year period after the REIT acquires the asset. The amount of gain on which the REIT will pay tax is the lesser of:
  - (a) the amount of gain recognized at the time of the sale or disposition; and
  - (b) the amount of gain that the REIT would have recognized if it had sold the asset at the time the REIT acquired it.

In addition, the REIT, including its subsidiaries and affiliated entities, may be subject to a variety of taxes, including payroll taxes and state and local income, property and other taxes on its assets and operations. A TRS will also be subject to U.S. federal corporate income tax on its taxable income. The REIT may also be subject to tax in various situations and on some types of transactions not presently contemplated. The REIT will use the calendar year both for U.S. federal income tax purposes and for financial reporting purposes.

#### **Qualification as a Real Estate Investment Trust**

A REIT is a corporation, trust, or association that meets each of the following requirements:

- (a) It is managed by one or more trustees or directors.
- (b) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.
- (c) It would be taxable as a domestic corporation, but for the real estate investment trust provisions of the U.S. federal income tax laws.
- (d) It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.
- (e) At least 100 persons are beneficial owners of its shares or ownership certificates.

- (f) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the U.S. federal income tax laws define to include certain entities, during the last half of any taxable year.
- (g) It elects to be a real estate investment trust, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain real estate investment trust status.
- (h) It meets certain other qualification tests, described below, regarding the nature of its income and assets and the distribution of its income.
- (i) It uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the U.S. federal income tax laws.

### **Taxable as a U.S. Corporation**

The REIT must be taxable as a U.S. corporation. As noted above, pursuant to Section 7874 of the Code, the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity. See "U.S. Status".

### **Share Ownership Test**

The Units must be held by a minimum of 100 persons for at least 335 days in each taxable year or a proportional number of days in any short taxable year (other than its first taxable year as a U.S. real estate investment trust). In addition, at all times during the second half of each taxable year as a U.S. real estate investment trust (other than its first taxable year as a U.S. real estate investment trust), no more than 50% in value of the Units may be owned, directly or indirectly (applying constructive ownership rules) by five or fewer individuals (including specified tax-exempt entities but generally excluding certain qualified trusts). If the REIT were to comply with the Treasury Regulations for ascertaining its actual ownership and did not know, or exercising reasonable diligence would not have reason to know, that more than 50% in value of the outstanding Units were held, actually or constructively, by five or fewer individuals, then the REIT would be treated as meeting such requirement.

In order to ensure compliance with the 50% ownership test, the REIT has placed restrictions on the transfer of the Units to prevent concentration of ownership. In order to demonstrate compliance with these requirements under the Treasury Regulations, the REIT must maintain records that disclose the actual ownership of the outstanding Units. Failure to comply with these record-keeping requirements could subject the REIT to monetary penalties. In fulfilling its obligation to maintain records, the REIT will request written statements each year from the record holders of designated percentages of Units disclosing the actual owners of such Units. A list of persons failing or refusing to comply in whole or in part with the REIT's request for written statements must be maintained by the REIT. In addition, as discussed above, the Declaration of Trust provides restrictions regarding the transfer of Units that are intended to assist the REIT in continuing to satisfy the share ownership requirements. The REIT intends to enforce the percentage limitations on ownership of Units to maintain its qualification as a real estate investment trust.

### **Effect of Subsidiary Entities**

A subsidiary corporation that is a "qualified REIT subsidiary" (or "QRS") is not treated as a corporation separate from its parent real estate investment trust. All assets, liabilities, and items of income, deduction, and credit of a QRS are treated as assets, liabilities, and items of income, deduction, and credit of the real estate investment trust. A QRS is a corporation all of the capital stock of which is owned by the real estate investment trust and that has not elected to be a TRS (as discussed below). Thus, in applying the requirements described herein, any QRS that the REIT owns will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such

subsidiary will be treated as the REIT's assets, liabilities, and items of income, deduction, and credit. The REIT owns its interest in BSR through BSR Holdings, which is treated as a QRS.

An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner for U.S. federal income tax purposes, generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners for U.S. federal income tax purposes generally is treated as a partnership for U.S. federal income tax purposes. In the case of a real estate investment trust that is a partner in a partnership that has other partners, the real estate investment trust is treated as owning its proportionate share of the assets of the partnership and as earning its proportionate share of the gross income of the partnership for purposes of the real estate investment trust qualification tests. For purposes of the 10% value test (described in "Asset Tests"), a real estate investment trust's proportionate share is based on its proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, a real estate investment trust's proportionate share is based on its proportionate interest in the capital interests in the partnership. All of the REIT's real estate assets are owned through BSR and its subsidiaries and are, therefore, subject to these rules.

An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. The Fourth Amended and Restated Limited Liability Company Agreement of BSR contains provisions intended to ensure that BSR is not considered a publicly traded partnership. Accordingly, the REIT does not anticipate that BSR will be treated as a publicly traded partnership that would be treated as a corporation for U.S. federal income tax purposes. However, if it were, the REIT would not be treated as owning its proportionate share of the assets and income of BSR for the purposes of the real estate investment trust asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT to fail to qualify as a real estate investment trust. In addition, the income of BSR would become subject to U.S. federal corporate income tax.

A real estate investment trust, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary (or "TRS") of the real estate investment trust. The separate existence of a TRS, unlike a disregarded QRS as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, such an entity would generally be subject to U.S. federal corporate income tax on its taxable income. A real estate investment trust is not treated as holding the assets of a TRS or as receiving directly any income that a TRS earns. Rather, the shares of the TRS are an asset in the hands of the real estate investment trust, and the real estate investment trust recognizes as income any dividends that it receives from a TRS. This treatment can affect the gross income and asset test calculations described below. Overall, no more than 20% of the value of a real estate investment trust's assets may consist of stock or securities of one or more TRS. The REIT currently owns the stock of one subsidiary corporation treated as a TRS, Peace of Mind Insurance Company, Inc.

### **Asset Tests**

At the close of each quarter of the REIT's taxable year, the REIT must satisfy tests relating to the nature of its assets determined in accordance with generally accepted accounting principles. First, at least 75% of the value of the REIT's total assets must be represented by:

- (1) real estate assets (e.g., interests in real property, interests in mortgages on real property or interests in real property, shares in other real estate investment trusts, cash, cash items, U.S. government securities, and qualified temporary investments);
- (2) personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as "rents from real property", such that rents attributable to

the personal property do not exceed 15% of the total rent from both the real and personal property rented pursuant to the lease; and

- (3) debt instruments issued by “publicly offered” real estate investment trusts (i.e., real estate investment trusts that are required to file annual and periodic reports with the SEC under the *Securities Exchange Act of 1934*).

Second, although the remaining 25% of the REIT’s assets generally may be invested without restriction, it is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any non-government issuer other than a QRS, another real estate investment trust or a TRS. Further, no more than 20% of the value of the REIT’s total assets may be represented by securities of its TRSs. No more than 5% of the value of the REIT’s total assets may be represented by securities of any single non-government issuer other than a QRS, or a TRS, or shares of another real estate investment trust. Finally, not more than 25% of the value of a real estate investment trust’s assets may be represented by debt instruments issued by publicly offered real estate investment trusts to the extent not secured by real property or interests in real property.

For purposes of the 10% vote or value test, the 25% securities test and the 5% asset test, the term “securities” does not include stock in another real estate investment trust, equity or debt securities of a QRS. For purposes of the 10% value test, the term “securities” does not include:

- “Straight debt” securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors. “Straight debt” securities do not include any securities issued by a partnership or a corporation in which the real estate investment trust or any controlled TRS (i.e., a TRS in which the REIT owns directly or indirectly more than 50% of the voting power or value of the stock) holds non-“straight debt” securities that have an aggregate value of more than 1% of the issuer’s outstanding securities. However, “straight debt” securities include debt subject to the following contingencies:
  - (a) a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield to maturity, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer’s debt obligations held by the real estate investment trust exceeds US\$1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
  - (b) a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice.
- Any loan to an individual or an estate.
- Any “section 467 rental agreement,” other than an agreement with a related party tenant.
- Any obligation to pay “rents from real property.”
- Certain securities issued by governmental entities.
- Any security issued by a real estate investment trust.
- Any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes to the extent of the real estate investment trust’s interest as a partner in the partnership.

- Any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described below in "Qualification as a Real Estate Investment Trust- Gross Income Tests".

As discussed above, the REIT generally may not own more than 10% by vote or value of any one issuer's securities and no more than 5% of the value of the REIT's total assets generally may be represented by the securities of any single issuer. If the REIT fails to meet either of these tests at the end of any quarter and such failure is not cured within 30 days thereafter, the REIT would fail to qualify as a real estate investment trust. After the 30-day cure period, the REIT could maintain its qualification as a real estate investment trust by disposing of sufficient assets to cure such a violation provided it did not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter or US\$10,000,000 if the disposition occurred within six months after the last day of the calendar quarter in which the REIT identified the violation. For violations of these tests that are larger than such amount and for violations of the other asset tests described above, where such violations are due to reasonable cause and not wilful neglect, the REIT can avoid disqualification as a real estate investment trust, after the 30-day cure period, by taking steps including the disposition of sufficient assets to meet the asset tests (within six months after the last day of the calendar quarter in which it identifies the violation) and paying a tax equal to the greater of US\$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the non-qualifying assets for the period beginning on the first date of the failure to meet the tests and ending on the date that it disposes of the assets or otherwise satisfies the asset tests.

### **Gross Income Tests**

There are two separate percentage tests relating to the sources of the REIT's gross income that must be satisfied for each taxable year. The two tests are as follows:

#### *The 75% Gross Income Test*

At least 75% of the REIT's gross income for the taxable year must be "qualifying income." Qualifying income generally includes:

- (a) rents from real property, except as modified below;
- (b) interest on obligations adequately secured by mortgages on, or interests in, real property;
- (c) gains from the sale or other disposition of "non-dealer property," which means interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of its trade or business;
- (d) dividends or other distributions on shares in other real estate investment trusts, as well as gain from the sale of such shares;
- (e) abatements and refunds of real property taxes;
- (f) income from the operation, and gain from the sale, of "foreclosure property", which means property acquired at or in lieu of a foreclosure of the mortgage secured by such property;
- (g) commitment fees received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property;
- (h) certain qualified temporary investment income attributable to the investment of new capital received by the REIT in exchange for Units or certain publicly offered debt, which income is received or accrued during the one-year period following the receipt of such capital; and

- (i) gain from the sale or other disposition of a real estate asset which is not a “prohibited transaction” solely by reason of the exceptions in Section 857(b)(6) of the Code.

Although a debt instrument issued by a publicly offered real estate investment trust is a “real estate asset” for the asset tests, income from such debt instruments and the gain from the sale of such debt instruments are not treated as qualifying income for the 75% gross income test unless such debt instruments are adequately secured by real property or an interest in real property.

#### The 95% Gross Income Test

In addition to deriving 75% of the REIT’s gross income from the sources listed above, at least 95% of the REIT’s gross income for the taxable year must consist of the qualifying income for purposes of the 75% gross income test as described above and from dividends, interest and gains from the sale or disposition of stock or other securities that are not dealer property.

#### Rents from Real Property

“Rents from real property” is qualifying income for both gross income tests (discussed above). Rents received from a tenant will not, however, qualify as rents from real property in satisfying either gross income test if the REIT, or an owner of 10% or more of the Units, directly or constructively owns 10% or more of such tenant, unless the tenant is a TRS of the REIT and certain other requirements are met. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. Moreover, an amount received or accrued will not qualify as rent from real property or as interest income for purposes of both gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from “rents from real property” or interest income solely by reason of being based on a fixed percentage or percentages of receipts or sales. In addition, for rents received to qualify as rents from real property, the REIT generally must not furnish or render services to tenants, other than through a TRS, or an “independent contractor” from whom it derives no income, except that the REIT may directly provide services that are “usually or customarily rendered” in connection with the rental of properties for occupancy only and are not considered “rendered to the occupant for his convenience.” The REIT is permitted to render a *de minimis* amount of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property (other than the amounts attributable to the provision of the *de minimis* impermissible services) as rent from real property, as long as the REIT’s income from the services (valued at not less than 150% of its direct cost of performing such services) does not exceed 1% of its income from the related property. Furthermore, the REIT may furnish such services to tenants through a TRS and still treat amounts otherwise received with respect to the property as rent from real property.

Currently, the REIT does not lease significant amounts of personal property pursuant to its leases. Moreover, the REIT does not currently perform any services other than customary ones for its tenants, unless such services are provided through independent contractors from whom the REIT does not receive or derive income. Accordingly, the REIT believes that its leases generally produce rent that qualifies as “rents from real property” for purposes of both gross income tests.

#### Interest

For purposes of both gross income tests, the term “interest” generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes both: (i) an amount that is based on a fixed percentage or percentages of receipts or sales; and (ii) an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from leasing substantially all of its interest in the real property securing the debt, and only to the extent that the amounts received by the debtor would be qualifying “rents from real property” if received directly by a real estate investment trust.

If a loan contains a provision that entitles a real estate investment trust to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

Interest on debt secured by a mortgage on real property or on interests in real property generally is qualifying income for purposes of the 75% gross income test. However, if a loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the real estate investment trust agreed to originate or acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the interest income attributable to the portion of the principal amount of the loan that is not secured by real property—that is, the amount by which the loan exceeds the value of the real estate that is security for the loan. However, in the case of a loan that is secured by both real property and personal property, if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining if the interest on such loan is qualifying income for purposes of the 75% gross income test.

#### Dividends

The REIT's share of any dividends received from any corporation (including any TRS, but excluding any real estate investment trust) in which it owns an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. The REIT's share of any dividends received from any other real estate investment trust in which it owns an equity interest, if any, will be qualifying income for purposes of both gross income tests.

#### Exclusion of Gross Income from Hedging Transactions and Foreign Currency Gain

Any income from (i) a hedging transaction that is clearly and timely identified and that hedges indebtedness incurred or to be incurred to acquire or carry real estate assets or (ii) a clearly and timely identified transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income that would qualify under the 75% or the 95% gross income tests, will not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and the 95% gross income tests. In addition, if a hedge that is clearly and timely identified is entered into in connection with the extinguishment of indebtedness that was the subject of a hedge described in the prior sentence or a disposition of property that was the subject of a prior hedge was described in the preceding sentence, income from the hedge will not constitute gross income for purposes of the 75% and 95% gross income test. Income from such transactions that does not meet these requirements will be treated as non-qualifying income for purposes of the 75% and the 95% gross income tests. Any income from foreign currency gain that is "real estate foreign exchange gain" as defined in the Code will not constitute gross income for purposes of the 75% and 95% gross income tests. Other foreign currency gain, if such foreign currency gain is "passive foreign exchange gain" as defined in the Code, will not constitute gross income only for purposes of the 95% gross income test.

#### Prohibited Transactions

A real estate investment trust will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property (described below), that the real estate investment trust holds primarily for sale to customers in the ordinary course of a trade or business. The REIT believes that none of its properties are or will be held primarily for sale to customers and that a sale of any of its properties will not be in the ordinary course of the REIT's business. Whether a real estate investment trust holds a property "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular property. A safe harbor

to the characterization of the sale of property by a real estate investment trust as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- (a) the real estate investment trust has held the property for not less than two years;
- (b) the aggregate expenditures made by the real estate investment trust, or any partner of the real estate investment trust, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;
- (c) either (1) during the year in question, the real estate investment trust did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applies, (2) the aggregate adjusted bases of all such properties sold by the real estate investment trust during the year did not exceed 10% of the aggregate bases of all of the assets of the real estate investment trust at the beginning of the year, (3) the aggregate fair market value of all such properties sold by the real estate investment trust during the year did not exceed 10% of the aggregate fair market value of all of the assets of the real estate investment trust at the beginning of the year, (4) (i) the aggregate adjusted tax bases of all such property sold by the real estate investment trust during the year did not exceed 20% of the aggregate adjusted tax bases of all property of the real estate investment trust at the beginning of the year and (ii) the average annual percentage of properties sold by the real estate investment trust compared to all the real estate investment trust's properties (measured by adjusted tax bases) in the current and two prior years did not exceed 10% or (5) (i) the aggregate fair market value of all such property sold by the real estate investment trust during the year did not exceed 20% of the aggregate fair market value of all property of the real estate investment trust at the beginning of the year and (ii) the average annual percentage of properties sold by the real estate investment trust compared to all the real estate investment trust's properties (measured by fair market value) in the current and two prior years did not exceed 10%;
- (d) in the case of property not acquired through foreclosure or lease termination, the real estate investment trust has held the property for at least two years for the production of rental income; and
- (e) if the real estate investment trust has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the real estate investment trust derives no income or a TRS.

The REIT will attempt to comply with the terms of the safe-harbor provisions in the U.S. federal income tax laws prescribing when a property sale will not be characterized as a prohibited transaction. The REIT cannot assure you, however, that it can comply with the safe-harbor provisions or that it will avoid owning property that may be characterized as property that it holds "primarily for sale to customers in the ordinary course of a trade or business." The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the TRS at regular U.S. federal corporate tax rates.

#### Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property: (i) that is acquired by a real estate investment trust as a result of the real estate investment trust having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the real estate investment trust and secured by the property, (ii) for which the related loan or lease was made, entered into or acquired by the real estate investment trust at a time when default was not imminent or anticipated, and (iii) for which such real estate investment trust makes an election to treat the property as foreclosure property. Real estate investment trusts generally are subject to tax at the

maximum U.S. federal corporate tax rate on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% penalty tax on gains from prohibited transactions described below, even if the property was held primarily for sale to customers in the ordinary course of a trade or business.

#### Failure to Satisfy Gross Income Tests

Even if the REIT fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a real estate investment trust for such year if it is entitled to relief under provisions of the Code.

These relief provisions will generally be available if:

- (a) following its identification of the failure, the REIT files a schedule with a description of each item of gross income that caused the failure in accordance with the Treasury Regulations; and
- (b) the REIT's failure to comply was due to reasonable cause and not due to wilful neglect.

The REIT cannot predict, however, whether in all circumstances it would qualify for the relief provisions. In addition, even if these relief provisions apply, the REIT will nonetheless be subject to a special tax equal to the greater of the amount by which it fails either the 75% or 95% gross income test for that year multiplied by a fraction the numerator of which is the real estate investment trust taxable income for the taxable year (adjusted for certain items) and the denominator of which is the gross income for the taxable year (adjusted for certain items).

#### **Annual Distribution Requirements**

In order to qualify as a real estate investment trust, the REIT is required to make distributions, other than capital gain dividends, to its shareholders each year in an amount at least equal to:

- the sum of:
  - (a) 90% of its real estate investment trust taxable income, computed without regard to the dividends paid deduction and real estate investment trust net capital gain; plus
  - (b) 90% of its net income after tax, if any, from foreclosure property; minus
- the excess of the sum of specified items of non-cash income over 5% of the REIT's taxable income, computed with respect to the dividends paid deduction or its net capital gain.

Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if either (i) declared before the REIT timely files its U.S. federal income tax return for such year and if paid on or before the first regular dividend payment after such declaration or (ii) declared in October, November or December of the prior taxable year, payable to Unitholders of record on a specified day in any such month, and actually paid before the end of January of the following year. The distributions under clause (i) are taxable to the Unitholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year to the extent of the REIT's earnings and profits. In both instances, these distributions relate to the REIT's prior taxable year for purposes of the 90% distribution requirement. To the extent that the REIT does not distribute all of its net capital gain or distribute at least 90%, but less than 100%, of its real estate investment trust taxable income, as adjusted, the REIT will be subject to tax on the undistributed amount at regular capital gains or ordinary corporate tax rates, as the case may be. Management of the REIT intends to make timely distributions sufficient to satisfy the annual distribution requirements.

In order for the REIT's distributions to be counted as satisfying the 90% distribution requirement, such distributions generally must not be "preferential dividends." A dividend is not a preferential dividend if that distribution is (1) pro rata among all outstanding shares within a particular class and (2) in accordance with the preferences among different classes of shares as set forth in the REIT's organizational documents. The preferential dividend rule does not apply to "publicly offered REITs," however, the REIT does not qualify as a "publicly offered REIT."

The REIT will pay U.S. federal income tax on taxable income, including net capital gain, that the REIT does not distribute to its Unitholders. Furthermore, if the REIT fails to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- (a) 85% of its real estate investment trust ordinary income for such year,
- (b) 95% of its real estate investment trust capital gain income for such year, and
- (c) any undistributed taxable income (ordinary and capital gain) from all prior periods,

it will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts it actually distributes.

The REIT may elect to retain and pay U.S. federal corporate income tax on the net long-term capital gain it receives in a taxable year. If the REIT so elects, it will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. The REIT intends to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, the REIT may experience timing differences between: (i) the actual receipt of income and actual payment of deductible expenses, and (ii) the inclusion of that income and deduction of such expenses in arriving at the REIT's taxable income. As a result, unless, for example, the REIT raises funds by a borrowing or pays taxable dividends of its capital stock or debt securities, the REIT may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the 4% excise tax described above or even to meet the 90% distribution requirement. If the REIT fails to meet the 90% distribution requirement as a result of an adjustment to its U.S. federal income tax return by the IRS, or if the REIT determines that it has failed to meet the 90% distribution requirement in a prior taxable year, it may retroactively cure the failure by paying a "deficiency dividend," plus applicable penalties and interest, within a specified period.

TCJA limits a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, net operating losses ("NOLs"), and for years prior to 2022, deductions for depreciation, amortization, or depletion. For the 2019 and 2020 tax years, the CARES Act increases the maximum amount of tax-deductible interest expense from 30% to 50% of adjusted taxable income. For partnerships, the interest deduction limit is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitations at the partnership level. The TCJA allows a real property trade or business to elect out of this interest limit so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 20-year recovery period for related improvements. For this purpose, a real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operating, management, leasing, or brokerage trade or business. The REIT believes this definition encompasses its business and thus will allow it the option of electing out of the limits on interest deductibility should it determine it is prudent to do so. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships). The new interest deduction limit applies in taxable years beginning in 2018.

NOL provisions were also modified by the TCJA. The TCJA limits the NOL deduction to 80% of taxable income (before the deduction). It also generally eliminates NOL carrybacks for individuals and non-real estate investment trust corporations (NOL carrybacks did not apply to real estate investment trusts under prior law), but allows indefinite NOL carryforwards. The new NOL rules apply to losses arising in taxable years beginning in 2018. The CARES Act suspends the NOL limitations of 80% of taxable income, allowing a business to use NOLs to offset 100% of their income through the 2020 tax year. The deduction applies to any income remaining after the current year dividends paid deduction. The 80% limitation will be reinstated for 2021 and going forward.

### **Failure to Qualify**

Although management expects that the REIT will qualify as a real estate investment trust, if it were to fail to qualify for taxation as a real estate investment trust in any taxable year and relief provisions did not apply, it would be subject to U.S. federal income tax on its taxable income at regular U.S. federal corporate tax rates. If the REIT were to fail to qualify as a real estate investment trust, it would not be able to deduct the amount of distributions to Unitholders. In such event, all distributions to Unitholders would be taxable as dividends to the extent of the REIT's current and accumulated earnings and profits (as determined under U.S. federal income tax principles). Unless entitled to relief under specific statutory provisions, the REIT also would be disqualified from re-electing taxation as a real estate investment trust for the four taxable years following the year during which qualification was lost. In the event that the REIT fails to satisfy one or more requirements for qualification as a real estate investment trust, other than the gross income tests and the asset tests, each of which is subject to the cure provisions described above, it would retain its real estate investment trust qualification if (i) the violation is due to reasonable cause and not wilful neglect and (ii) it pays a penalty of US\$50,000 for each failure to satisfy the provision. The REIT cannot predict whether in all circumstances it would qualify for such statutory relief.

### **Taxation of Non-U.S. Holders**

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Debenture Holders (as defined below) under present law of an investment in the Debentures (and the Units into which the Debentures may be converted). This discussion applies only to investors that hold the Debentures (and the Units into which the Debentures may be converted) as capital assets. In addition, this discussion is limited to persons acquiring the Debentures for cash at the Offering and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Debentures are sold to the public for cash). The U.S. federal income tax consequences of an investment in the Debentures (or the Units into which the Debentures may be converted) by either a U.S. Debenture Holder or any Non-U.S. Debenture Holder who owns (or is considered to own) more than 10% of the Debentures (or the Units into which the Debentures may be converted) will be materially different than the U.S. federal income tax consequences described in this summary.

The following discussion assumes that the Debentures are treated as debt for U.S. federal income tax purposes until they are converted or are repaid. The Debentures are complex financial instruments and no assurance can be given that the IRS or the courts will agree with the tax consequences described below. The REIT has not sought any rulings concerning the treatment of the Debentures and the tax consequences described below are not binding on the IRS or the courts, either of which could disagree with the explanations or conclusions contained in this summary. Accordingly, prospective Non-U.S. Debenture Holders should consult with their tax advisors regarding the consequences to them of the possible re-characterization of the Debentures as equity (or otherwise) for U.S. federal income tax purposes. As a general matter, however, to the extent the Debentures are re-characterized as equity for U.S. federal income tax purposes, the tax consequences should be as described below under "– Sale, Exchange, Redemption or Other Disposition of the Debentures or Units" and "– Distributions on the Units."

This discussion is based upon current provisions of the Code, existing and proposed Treasury Regulations thereunder, current administrative rulings, judicial decisions and other applicable authorities. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations (except as specifically addressed herein) such as banks, certain financial institutions, insurance companies, broker dealers, U.S. expatriates, traders that elect to mark to market, tax-exempt entities, persons liable for alternative minimum tax or persons holding a Unit as part of a straddle, hedging, conversion or integrated transaction.

A “**Non-U.S. Holder**” or a “**Non-U.S. Debenture Holder**” is a beneficial owner of a Debenture (or the Units into which the Debentures may be converted) that is neither a U.S. Holder nor a partnership (including an entity that is treated as a partnership for U.S. federal income tax purposes). A “**U.S. Holder**” or a “**U.S. Debenture Holder**” is a beneficial owner of a Debenture (or the Units into which the Debentures may be converted) that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the U.S.,
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the U.S., any state thereof or the District of Columbia,
- an estate whose income is subject to U.S. federal income taxation regardless of its source or
- a trust that (a) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in a partnership or other entity treated as a partnership that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

**THE RULES GOVERNING THE U.S. FEDERAL INCOME TAXATION OF NON-U.S. DEBENTURE HOLDERS ARE COMPLEX AND THIS SUMMARY IS FOR GENERAL INFORMATION ONLY. NON-U.S. DEBENTURE HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE IMPACT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME TAX LAWS ON OWNERSHIP OF THE DEBENTURES (OR THE UNITS INTO WHICH THE DEBENTURES MAY BE CONVERTED), INCLUDING ANY REPORTING REQUIREMENTS.**

#### **Payments of Interest**

Subject to the discussion of backup withholding and FATCA below, payments of interest on the Debentures to most Non-U.S. Debenture Holders will qualify as “portfolio interest,” and, thus, will be exempt from U.S. federal income tax, including withholding of such tax, provided that:

- the Non-U.S. Debenture Holder does not own, actually or constructively, of the Units representing at least 10% of the total combined voting power of the Units entitled to vote;
- the Non-U.S. Debenture Holder is not a controlled foreign corporation that is related, directly or indirectly, to the REIT through unit ownership;
- interest paid on the Debenture is not effectively connected with a Non-U.S. Debenture Holder’s conduct of a trade or business in the U.S.;
- the Non-U.S. Debenture Holder is not a bank whose receipt of interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

- either (a) the Non-U.S. Debenture Holder provides to the applicable withholding agent an IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute form), signed under penalties of perjury, that includes its name and address and that certifies its non-U.S. status in compliance with applicable law and regulations or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the note on behalf of the Non-U.S. Debenture Holder provides a statement to the applicable withholding agent, signed under penalties of perjury, in which it certifies that an IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute form), has been received by it from the Non-U.S. Debenture Holder or a qualifying intermediary and furnishes a copy of that form to the applicable withholding agent.

If a Non-U.S. Debenture Holder cannot satisfy the requirements of the portfolio interest exemption described above, payments of interest made to that holder generally will be subject to U.S. federal income tax at the rate of 30%, unless that holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute form), establishing an exemption from or reduction of the withholding tax under the benefits of an applicable tax treaty.

### **Conversion of the Debentures**

Upon conversion of the Debentures solely for Units, a Non-U.S. Debenture Holder will generally not recognize any U.S. federal income, gain or loss upon such conversion, except to the extent (i) a holder receives cash or Units attributable to accrued interest (which will be taxable as described above under “—Payments of Interest”) or (ii) a holder receives cash in lieu of a fractional Unit (which will be treated as if such fractional share had been received and then sold, and such sale will be treated as described under “—Sale, Exchange, Redemption or Other Disposition of the Debentures or Units” below).

### **Sale, Exchange, Redemption or Other Disposition of the Debentures or Units**

Generally, a Non-U.S. Debenture Holder will not be subject to U.S. federal income tax or withholding with respect to any gain realized on the sale, exchange, redemption or other disposition of the Debentures (or the Units into which the Debentures may be converted) (other than with respect to payments attributable to accrued interest, which may be taxed as described above under “— Payments of Interest”), unless:

- (a) the REIT is or has been a U.S. Real Property Holding Corporation (“**USRPHC**”) for U.S. federal income tax purposes at any time during the 5-year period ending on the date of disposition or such shorter period that such Debentures (or the Units into which the Debentures may be converted) were held;
- (b) the Non-U.S. Debenture Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions apply; or
- (c) the gain is effectively connected with the conduct by the Non-U.S. Debenture Holder of a trade or business within the U.S. and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Debenture Holder.

A Non-U.S. Debenture Holder described in the second bullet point above is subject to a flat 30% tax on the net gain derived from the disposition, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the U.S.). A Non-U.S. Debenture Holder described in the third bullet point above generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if it is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As to the first bullet point above, if at least 50% of a real estate investment trust's assets are U.S. real property interests (“**USRPIs**”), then the real estate investment trust will be a USRPHC. Management of the REIT believes that the REIT is and will continue to be a USRPHC for U.S. federal income tax purposes.

If the Units are considered “regularly traded on an established securities market,” the Units would not be treated as interests in a USRPHC (and, therefore, gain recognized on a disposition would not be subject to U.S. federal income tax) with respect to Non-U.S. Holders who do not hold, actually or constructively, more than 10% of the outstanding Units at any time during the 5-year period ending on the date of disposition, or such shorter period that such Units were held. In addition, the purchaser of Units would not be required to withhold tax if the Units are considered “regularly traded on an established securities market” (as management believes is the case), regardless of whether the selling Non-U.S. Holder held more than 10% of the outstanding Units during the applicable testing period.

An “established securities market” consists of any of the following: (i) a U.S. national securities exchange which is registered under Sec. 6 of the Securities Exchange Act of 1934; (ii) a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (iii) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

For the purpose of (ii), above, the TSX is a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority, and, accordingly, the TSX is an established securities market. For so long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as “regularly traded” on the TSX for a calendar quarter if: (a) the Units trade, other than in *de minimis* quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of Units traded during the calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders); and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to it, the Units, and beneficial owners of more than 5% of the Units (“**TSX Publicly Traded Exception**”).

The Units would be also considered “regularly traded” on an established securities market for a calendar quarter if the established securities market were located in the U.S. and the Units were regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system. The Units are currently quoted on the OTC Pink Market (the “**OTC**”). The OTC is an over-the-counter market with an interdealer quotation system that should be treated as an “established securities market” located in the U.S. A broker or dealer makes a market in a class of stock only if the broker or dealer holds itself out to buy or sell shares of such class of stock at the quoted price. In this regard, at least two brokers or dealers are regularly quoting and making a market in the Units on the OTC. For each calendar quarter during which the Units are regularly quoted on the OTC, the Units should be treated as “regularly traded” on an established securities market in the U.S. (“**U.S. Publicly Traded Exception**”) and, accordingly, gain on sales of Units by Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period would not be subject to U.S. federal income tax. Investors are cautioned that there can be no assurances that there will be at least two brokers or dealers regularly quoting the Units on the OTC in any particular calendar quarter. In addition, neither the Code, the applicable Treasury regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be “regularly quoted.” U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as the brokers or dealers regularly quote the Units at any time during a calendar quarter, any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation.

Nonetheless, management believes that the Units will satisfy the U.S. Publicly Traded Exception and/or the TSX Publicly Traded Exception. However, if neither the U.S. Publicly Traded Exception nor the TSX Publicly Traded Exception is satisfied, a disposition of the Units by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS.

Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Holder's U.S. federal income tax liability arising from the sale, and a Non-U.S. Holder would be required to file a U.S. federal income tax return.

If the Units are considered "regularly traded on an established securities market," a Non-U.S. Debenture Holder will not be subject to U.S. federal income tax on any gain realized on the disposition of the Debentures:

- (i) if, on the disposition date, the Debentures themselves are considered to be regularly traded on an established securities market and the Non-U.S. Debenture Holder has not owned (at any time during the shorter of the 5-year preceding the date of disposition or its holder period), actually or constructively, more than 10% of the total fair market value of the Debentures outstanding; or
- (ii) if, on the disposition date, the Debentures themselves are not considered to be regularly traded on an established securities market and, on the date the Debentures were acquired, the Debentures owned by the Non-U.S. Debenture Holder, actually or constructively, had a fair market value less than or equal to 10% of the fair market value of the Units outstanding.

While we have been informed by the underwriters that they intend to make a market in the Debentures after the Offering is completed, there is no certainty that an active market will develop or that the level of trading will qualify as regularly traded under the applicable Treasury regulations. Even if there is an active market for the Debentures after the Offering is completed, positive steps by the REIT must be taken for the Debentures to be considered regularly traded on an established securities market and management has advised that it plans to not take such steps. Accordingly, a disposition of the Debentures by a Non-U.S. Debenture Holder will not be subject to U.S. federal income tax if the conditions in clause (ii) above apply.

If the exceptions above do not apply, a disposition of the Debentures by a Non-U.S. Debenture Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Debentures would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Debenture Holder's U.S. federal income tax liability arising from the sale, and a Non-U.S. Debenture Holder would be required to file a U.S. federal income tax return.

A sale of Units by a "qualified shareholder" or a "qualified foreign pension fund" who holds Units directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA. While a "qualified shareholder" will not be subject to FIRPTA withholding upon sale of Units, certain investors of a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor)), and hold more than 10% of the Units (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding.

The U.S. federal income taxation of Non-U.S. Debenture Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Debenture Holders should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in Units.

### **Distributions on the Units**

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT of USRPIs nor designated as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such distributions ordinarily will be subject to withholding at a rate of 30%, unless an applicable tax treaty or statutory provision reduces that tax. The REIT plans to withhold U.S. income tax at the rate of 30% on the gross amount of any ordinary dividend paid to a Non-U.S. Holder unless the Non-U.S. Holder provides an IRS Form W-8BEN or IRS Form W-8BEN-E (or other acceptable substitute or applicable form) to the REIT or unless the Non-U.S. Holder provides an IRS Form W-8ECI certifying that the distribution is "effectively connected" income (as discussed below).

A Non-U.S. Holder that is a qualified resident of Canada generally is entitled to a 15% withholding rate under the Treaty if: (i) the Non-U.S. Holder is an individual and holds no more than 10% of the outstanding Units, (ii) the Units are publicly traded and the Non-U.S. Holder owns no more than 5% of the outstanding Units or (iii) the Non-U.S. Holder (other than an individual) holds no more than 10% of the outstanding Units and the REIT is diversified. For this purpose, the REIT will be treated as diversified if the gross value of no single interest in real property of the REIT exceeds 10% of the gross value of the REIT's total interest in real property. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, an RRIF or a DPSP) may be eligible for an exemption from U.S. federal tax withholding on dividends under Article XXI of the Treaty. A trust governed by a TFSA, a RESP or a RDSP is not entitled to benefits as an entity or arrangement under the Treaty. Instead, income received by a TFSA, a RESP or a RDSP is treated as received by the beneficiary of the TFSA, RESP, or RDSP as the case may be, and the TFSA, RESP, or RDSP, as the case may be, should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, may, however, be eligible for reduced withholding tax rates under the Treaty. Unitholders that are Exempt Plans should consult their own tax advisors with respect to the Canadian and U.S. federal income tax considerations relevant to an investment in Units.

Distributions that are treated as effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder, generally are subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and are not subject to withholding if certain certification requirements are satisfied (generally, on IRS Form W-8ECI). Any such dividends received by a Non-U.S. Holder that is a corporation may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty and applicable protocols currently in force).

A Non-U.S. Holder would not incur tax on a distribution in excess of the REIT's current and accumulated earnings and profits if the excess portion of the distribution did not exceed the adjusted tax basis of the Non-U.S. Holder's Units. Instead, the excess portion of the distribution would reduce the Non-U.S. Holder's adjusted tax basis in the Units. A Non-U.S. Holder would be subject to tax on a distribution that exceeds both the REIT's current and accumulated earnings and profits and the adjusted tax basis in its Units if the Non-U.S. Holder otherwise would be subject to tax on gain from the disposition of its Units as described herein. Management of the REIT expects that distributions on the Units will exceed the REIT's current and accumulated earnings and profits as determined under the Code. For the purpose of determining the amount to withhold, management will make a reasonable estimate of the portion of a distribution that is paid out of current and accumulated earnings and profits or make such calculations or take such other actions as may be required in order to comply with U.S. laws. Because management believes that the Units will be considered regularly traded on an established securities market, each as described above under "Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Sale, Exchange, Redemption or Other Disposition of the Debentures or Units", it does not expect to be required to withhold on distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period, although there can be no assurances that withholding on such amounts will not be required. If withholding is or becomes required on distributions in excess of the REIT's current and accumulated earnings and profits, the rate of withholding will be equal to 15% of such amounts.

#### **Foreign Investment in Real Property Tax Act**

A Non-U.S. Holder could incur tax on distributions that are attributable to gains from the REIT's sale or exchange of USRPIs under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, such gains are considered effectively connected with a U.S. trade or business of the Non-U.S. Holder and are taxed at the normal graduated rates applicable to U.S. Holders. Moreover, such gains may be subject to branch profits tax in the hands of a Unitholder that is a foreign corporation at a rate of 30% unless reduced by an applicable income tax treaty (5% under the Treaty). However, a distribution of proceeds attributable to the sale or exchange by the REIT of USRPIs will not be subject to tax under FIRPTA or the branch profits tax, and will be taxed in the same manner as distributions of cash generated by the REIT's real estate operations other than the sale or exchange of properties (as described above) if (i) the distribution is made with regard to a class of shares that is regularly traded on an

established securities market located in the U.S. (as management believes is the case with respect to the Units, see discussion below under “Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”) and (ii) the recipient Unitholder does not own more than 10% of that class of Units at any time during the 1-year period ending on the date the distribution is received.

The REIT is required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to a Non-U.S. Holder owning more than 10% of the relevant class of shares (or that otherwise has held more than 10% of a relevant class of shares at any time during the 1-year period ending on the date the distribution is received) that could be designated by the REIT as a capital gain dividend; this amount is creditable against the Non-U.S. Holder’s FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. Holders are required to provide the REIT with such information as the REIT may request. Furthermore, any Non-U.S. Holder that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a Non-U.S. Holder has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. These constructive ownership rules will also attribute the Units into which a Debenture may be converted to a Non-U.S. Debenture Holder at any time that such Debentures may be converted. If any Non-U.S. Holder that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units it is treated as owning over an amount equal to 5% of the outstanding Units) will be sold, with such Non-U.S. Holders receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such Non-U.S. Holder would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the Non-U.S. Holder and are not repaid, the REIT is permitted to withhold from subsequent payments to the Non-U.S. Holder up to the amount of such forfeited distributions. Non-U.S. Holders are strongly advised to monitor their actual and constructive ownership of Units. Notwithstanding that a Non-U.S. Holder may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

**Non-U.S. Debenture Holders are urged to consult their own tax advisors as to whether the sale, exchange, repurchase, redemption, or conversion of the Debentures (or the Units into which the Debentures may be converted) may be subject to U.S. federal income tax under FIRPTA. In addition, Non-U.S. Debenture Holders are urged to consult their own tax advisors regarding the tax consequences of acquiring, owning and disposing of a Debenture (or the Unit into which the Debentures may be converted). If an applicable exemption is available, any amounts withheld by the REIT or other purchasers generally will be refunded or credited against a Non-U.S. Debenture Holder’s U.S. federal income tax liability provided the required forms and information are timely furnished to the IRS.**

#### **Qualified Shareholders**

Subject to the exception discussed below, any distribution to a “qualified shareholder” who holds Units directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and, thus, will not be subject to special withholding rules under FIRPTA. While a “qualified shareholder” will not be subject to FIRPTA withholding on REIT distributions, certain investors of a “qualified shareholder” (i.e., non-U.S. persons who hold interests in the “qualified shareholder” (other than interests solely as a creditor)), and hold more than 10% of the Units (whether or not by reason of the investor’s ownership in the “qualified shareholder”)) may be subject to FIRPTA withholding.

A “qualified shareholder” is a foreign person that (i) either (a) is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or (b) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the U.S. and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a “qualified collective investment vehicle” (within the meaning of Section 897(k)(3)(B) of the Code), and (iii) maintains records on the identity of each person who, at any time during the foreign person’s taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

### **Qualified Pension Funds**

Any distribution to a “qualified foreign pension fund” (or an entity all of the interests of which are held by a “qualified foreign pension fund”) who holds stock in a real estate investment trust directly or indirectly will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. In addition, a sale of stock in a real estate investment trust by a “qualified foreign pension fund” that holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA.

A “qualified foreign pension fund” is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the U.S., (ii) which is established (A) by such country (or one or more political subdivisions thereof) to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees, as a result of services rendered by such employees to their employers or (B) by one or more employers to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees in consideration for services rendered by such employees to such employers, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation with respect to which annual information reporting about its beneficiaries (is provided or is otherwise available) to the relevant tax authorities in the country in which it is established or operates, and (v) with respect to which, under the laws of the country in which it is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (b) taxation of any investment income of such organization or arrangement is deferred or such income is excluded from the gross income of such entity or arrangement or taxed at a reduced rate.

### **Withholding Taxes on Certain Foreign Accounts**

Under the Foreign Account Tax Compliance Act (“**FATCA**”), withholding taxes may apply to certain types of payments made to “foreign financial institutions” (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, the Units paid to a foreign financial institution or to a non-financial foreign entity, unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules (including an exemption available for certain Canadian financial institutions under the United States-Canada FATCA Intergovernmental Agreement or “**IGA**”). If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, it must, among other things, undertake to identify accounts held by certain U.S. persons or U.S. owned foreign entities and annually report certain information about such accounts. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution may under certain circumstances be eligible for a refund or credit of any amounts withheld by filing a U.S. federal income tax return. An intergovernmental agreement or IGA between the

jurisdiction of a foreign financial institution and the U.S. may modify the general FATCA rules described in this paragraph. Prospective investors should consult their tax advisors regarding these withholding provisions.

### **Information Reporting and Backup Withholding**

Generally, the REIT must report to the IRS and to a Non-U.S. Holder the amount of interest and dividends paid to the Non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and dividend payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder is not subject to backup withholding with respect to payments of interest or distributions that are made to the Non-U.S. Holder if the Non-U.S. Holder has provided a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable IRS Form W-8. A Non-U.S. Holder is subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of a Debenture or a Unit within the U.S. or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules are allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

### **Legislative or Other Actions Affecting REITs**

As described above, the TCJA and the CARES Act made major changes to the Code, including several provisions of the Code that may affect the taxation of real estate investment trusts and their security holders. The individual and collective impact of these changes on real estate investment trusts and their security holders remains uncertain in some respects, and may not become evident for some time.

Further, the present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The real estate investment trust rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations. Prospective investors are urged to consult with their tax advisors regarding the effect of potential changes to the U.S. federal income tax laws on an investment in the Debentures (or the Units into which the Debentures may be converted).

### **State, Local and Foreign Taxes**

The REIT, its Unitholders and holders of the Debentures are generally subject to tax in Canada, as discussed in "Certain Canadian Federal Income Tax Considerations". The REIT, its Unitholders and/or the holders of the Debentures may be subject to taxation by various U.S. states or localities or other foreign jurisdictions, including those in which the REIT, a Unitholder or a holder of the Debentures transacts business, owns property or resides. The REIT may own properties located in numerous jurisdictions and may be required to file tax returns in some or all of those jurisdictions. The state, local and foreign tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, prospective investors should consult their tax advisors regarding the effect of state, local and foreign income and other tax laws upon an investment in the Debentures (or the Units into which the Debentures may be converted).

## **RISK FACTORS**

An investment in the Debentures offered hereby involves certain risks. Prospective investors should carefully consider, in light of their own financial circumstances, the risk factors set out below which relate to the Debentures, as well as the risk factors described under the heading "Risk Factors" found in the Annual Information

Form, the Annual MD&A, the Interim MD&A, and the Base Shelf Prospectus. In addition, prospective investors should carefully consider all other information contained in this Prospectus Supplement and the Base Shelf Prospectus, the documents incorporated by reference herein and therein (including, without limitation, the Annual Information Form, the Annual MD&A and the Interim MD&A), and in all subsequently filed documents incorporated by reference, before making an investment decision.

### **Discretion in Use of Proceeds**

Management of the REIT will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the REIT's results of operations may suffer. See "Use of Proceeds".

### **Investment Eligibility**

There can be no assurance that the Debentures will continue to be qualified investments for Exempt Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

### **Failure to Satisfy Payments of Interest and Principal on the Debentures**

There is no guarantee that the REIT will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of the REIT and the ability of the REIT to earn revenues. The REIT may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have earned sufficient revenues to meet this obligation.

### **Market for the Debentures**

The Debentures constitute a new issue of securities of the REIT for which there is currently no public market. The REIT has applied to have the Debentures (including the Debentures issuable pursuant to the Over-Allotment Option) and the Units issuable upon the conversion, redemption or maturity of the Debentures offered under this Prospectus Supplement listed on the TSX. Listing will be subject to the REIT fulfilling all of the listing requirements of the TSX. There can be no assurance that the minimum listing requirements of the TSX will be met with respect to the Debentures. There can be no assurance that a secondary market for trading in the Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Debentures does not develop, the liquidity and the trading prices for the Debentures may be adversely affected.

### **Absence of Covenant Protection**

The Indenture will not restrict the REIT or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the REIT or any of its subsidiaries.

### **Redemption Prior to Maturity**

The Debentures may be redeemed at the REIT's option, subject to certain conditions, after the First Call Date and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof,

together with any accrued and unpaid interest up to, but excluding, the date fixed for redemption, as described under “Description of the Debentures – Redemption and Purchase”. Holders of Debentures should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or it is otherwise in the interest of the REIT to redeem the Debentures.

### **Conversion Following Certain Transactions**

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a Unitholder in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. See “Description of the Debentures – Conversion Privilege”.

### **Subordination of Debentures**

The Debentures are unsecured obligations of the REIT. The Debentures are subordinate and postponed in right of payment to all of the REIT’s existing and future Senior Indebtedness (as defined in the Indenture) and to any indebtedness to trade creditors of the REIT. The Debentures will also be effectively subordinate to claims of the creditors of the REIT’s subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the REIT, the assets of the REIT would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the REIT’s obligations to holders of Debentures. Accordingly, all or a substantial portion of the REIT’s assets could be unavailable to satisfy the claims of the holders of Debentures.

### **Credit Rating**

The REIT does not have a credit rating and has no current plans to apply for a credit rating.

### **Dilution**

The Debentures are convertible into Units at the option of the holder thereof at any time. In addition, the REIT may determine to redeem any Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures on the Maturity Date by issuing additional Units. The issuance of additional Units may have a dilutive effect on Unitholders and an adverse impact on the price of Units.

### **Limitation in the REIT’s Ability to Finance Purchase of Debentures**

The REIT is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of a Change of Control. The REIT cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The REIT’s ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the REIT’s credit facilities and other indebtedness and agreements that the REIT may enter into in the future which may replace, supplement or amend the REIT’s existing or future debt. The REIT’s future credit agreements or other agreements may contain provisions that could prohibit the purchase by the REIT of the Debentures without the consent of the lenders or other parties thereunder. If the REIT’s obligation to offer to purchase the Debentures arises at a time when the REIT is prohibited from purchasing or redeeming the Debentures, the REIT could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the REIT does not obtain consent or refinance these borrowings, the REIT could remain prohibited from purchasing the Debentures under its offer.

The REIT's failure to purchase the Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the REIT's other indebtedness at that time.

### Market Price of the Debentures

The market price of the Debentures will be based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the REIT; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the REIT; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Units; (h) changes in the industry and competition affecting the REIT; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

### Volatility of Market Price of Units and Debentures

The market price of the Units and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at a favourable price. Additionally, volatility in the market price of Units may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Units and Debentures may be due to the REIT's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the REIT or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Cautionary Note Regarding Forward-Looking Statements". In addition, the market price for securities in the stock markets, including the TSX, experienced significant price and trading fluctuations in 2018 and most recently in 2020 as a result of the COVID-19 pandemic. These fluctuations resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. Accordingly, broad market fluctuations may adversely affect the market prices of the Debentures and the Units.

### COVID-19

In response to the outbreak of the novel coronavirus COVID-19, governmental authorities in Canada and in the U.S. where the REIT operates have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place, and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it may cause significant impact and economic disruptions to the REIT.

The REIT's highest priority is the health and safety of its residents and team members. To help minimize the spread and impact of COVID-19, the REIT has implemented several important measures, including:

- Closure of non-essential common areas at all properties in higher risk areas;
- Closure of apartment offices have been closed to external traffic in higher risk areas;
- Mandating team members working from home wherever possible;
- Increased sanitization of frequently touched surfaces;
- Virtual or self-guided apartment tours; and

- Contactless doorstep delivery of packages.

Although the REIT has taken steps to mitigate the impact of COVID-19, the continued presence and spread of COVID-19 could have a material adverse impact on the REIT's business, operations, financial results and position and prospects, including through a general or acute decline in economic activity in the regions the REIT operates in, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the REIT's apartment units. Contagion in one of the REIT's buildings or a market in which the REIT operates could negatively impact the REIT's occupancy, its reputation or attractiveness of that market. Any of these occurrences may have a material adverse effect on the business, financial condition and results of operations of the REIT.

The REIT continues to monitor the situation and work with its stakeholders in order to assess further possible implications to its business, and where practicable, mitigate adverse consequences and responsibly address this global pandemic.

## RELATIONSHIP BETWEEN THE REIT AND CERTAIN UNDERWRITERS

BMO is an affiliate of a U.S. chartered bank that has provided BSR with the Credit Facility, which is available up to a maximum amount of US\$205 million. See "Debt Strategy and Indebtedness" in the Annual Information Form for further information. Consequently, the REIT may be considered a "connected issuer" of BMO under applicable Canadian securities laws. As of the date of this Prospectus Supplement, BSR is in compliance with the terms of its indebtedness under the Credit Facility, which indebtedness is secured against certain of the properties in the REIT's portfolio. Since the indebtedness was initially incurred, BSR and the REIT's financial position and the value of the collateral granted as security for the indebtedness have not materially changed in an adverse manner. As of the date of this Prospectus Supplement, BSR was indebted under the Credit Facility in an aggregate amount of approximately US\$193 million. The decision to undertake the Offering was made by the REIT. No affiliate of BMO was involved in the decision to undertake the Offering. The terms of the Offering were determined by negotiation between the REIT and BMO, on its own behalf and behalf of the Underwriters, and the affiliates of BMO had no influence as to the determination of the terms of the Offering. BMO will not receive any direct benefit from the Offering other than its respective portion of the fee payable by the REIT to the Underwriters. A portion of the net proceeds from the Offering will be applied towards the payment of indebtedness owed by BSR to the affiliate of BMO under the Credit Facility.

In the ordinary course of their various business activities, the Underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers, and such investment and securities activities may involve securities of the REIT or its affiliates, including the Debentures. If the Underwriters or their affiliates have a lending relationship with the REIT, they routinely hedge their credit exposure to the REIT consistent with their customary risk management policies. The Underwriters and their affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the REIT or its affiliates, including the Debentures. Any such short positions could adversely affect future trading prices of the Debentures. The Underwriters and certain of their affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of the Debentures and may at any time hold, or recommend to clients that it acquires, long and/or short positions in the Debentures.

## LEGAL MATTERS AND EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Debentures, will be passed upon on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

The matters referred to under “Certain U.S. Federal Income Tax Considerations” will be passed upon on behalf of the REIT by Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.

As of the date of this Prospectus Supplement, the partners and associates of Goodmans LLP, Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. and Blake, Cassels & Graydon LLP beneficially owned, directly or indirectly, each as a separate group, less than 1% of the outstanding securities of the REIT.

#### **AUDITORS, TRANSFER AGENT, REGISTRAR AND DEBENTURE TRUSTEE**

The REIT’s auditor is KPMG LLP, Chartered Accountants, in Toronto, Ontario. KPMG LLP has advised the REIT that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. To the knowledge of the REIT, KPMG LLP does not own any registered or beneficial interest, directly or indirectly, in any securities or other property of the REIT.

The transfer agent and registrar for the Units is TSX Trust Company at its principal office located in Toronto, Ontario.

The Debenture Trustee for the Debentures is TSX Trust Company at its principal office located in Toronto, Ontario.

#### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

Original purchasers of Debentures will have a contractual right of rescission against the REIT following the conversion of such Debentures in the event that this Prospectus Supplement or any amendment thereto contains a misrepresentation. The contractual right of rescission will entitle such original purchasers to receive from the REIT, upon surrender of the Units issued upon conversion of such Debentures, the amount paid for such Debentures, provided that the right of rescission is exercised within 180 days from the date of the purchase of such Debentures under this Prospectus Supplement. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

In an offering of convertible securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial and territorial securities legislation, to the price at which the convertible securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of this right of action for damages or consult with a legal advisor.

## GLOSSARY OF TERMS

In this Prospectus Supplement, the following terms will have the meanings set forth below, unless otherwise indicated:

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“**AFFO**” has the meaning ascribed thereto under “Non-IFRS Measures”;

“**AFFO Payout Ratio**” has the meaning ascribed thereto under “Non-IFRS Measures”;

“**AFFO per Unit**” has the meaning ascribed thereto under “Non-IFRS Measures”;

“**allowable capital loss**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of Unitholders- Capital Gains and Losses”;

“**Annual Financial Statements**” has the meaning ascribed thereto under “Documents Incorporated by Reference”;

“**Annual Information Form**” has the meaning ascribed thereto under “Documents Incorporated by Reference”;

“**Annual MD&A**” has the meaning ascribed thereto under “Documents Incorporated by Reference”;

“**Base Shelf Prospectus**” has the meaning ascribed on the cover page of this Prospectus Supplement;

“**Beneficial Debenture Owner**” has the meaning ascribed under “Description of the Debentures – Book-Entry System for Debentures”;

“**BMO**” means BMO Nesbitt Burns Inc.;

“**BSR**” means BSR Trust, LLC, the operating subsidiary of the REIT;

“**BSR Holdings**” means BSR REIT Holdings, Inc.;

“**capital gains refund**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of the REIT”;

“**CARES Act**” has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations”;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Change of Control**” has the meaning ascribed thereto under “Description of Debentures – Change of Control”;

“**Class B Units**” means the Class B units of BSR;

“**Closing**” has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

“**Closing Date**” means September 3, 2020 or such other date as the REIT and the Underwriters may agree, as more specifically described on the cover page of this Prospectus Supplement and under “Plan of Distribution”;

“**Code**” means the United States Internal Revenue Code of 1986, as amended;

“**Commission**” has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Conversion Price”** means US\$14.40 per Unit, being a conversion rate of approximately 69.4444 Units for each US\$1,000 principal amount of Debentures;

**“CRA”** means the Canada Revenue Agency;

**“Credit Facility”** means the senior secured revolving credit facility of BSR provided by a U.S. chartered bank affiliated with BMO Nesbitt Burns Inc.;

**“Current Market Price”** means the volume weighted average trading price for the U.S. dollar denominated Units on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable date;

**“Debenture Certificates”** has the meaning ascribed thereto under “Description of the Debentures – Book-Entry System for Debentures”;

**“Debenture Offer”** has the meaning ascribed thereto under “Description of the Debentures – Change of Control”;

**“Debenture Offer Price”** has the meaning ascribed thereto under “Description of the Debentures – Change of Control”;

**“Debenture Trustee”** means TSX Trust Company at its principal office in Toronto, Ontario;

**“Debentures”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Debt to Gross Book Value”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“Declaration of Trust”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Deferred Units”** means the deferred units of the REIT granted under the Omnibus Equity Incentive Plan;

**“DPSP”** means a “deferred profit sharing plan” as defined in the Tax Act;

**“Event of Default”** has the meaning ascribed thereto under “Description of the Debentures – Events of Default”;

**“Exempt Plans”** has the meaning ascribed thereto under “Eligibility for Investment”;

**“FAPI”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of the REIT”;

**“FAT”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of the REIT”;

**“FATCA”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Withholding Taxes on Certain Foreign Accounts”;

**“FFO”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“FFO per Unit”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“FIRPTA”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Foreign Investment in Real Property Tax Act”;

**“First Call Date”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“forward-looking statements”** has the meaning ascribed thereto under “Cautionary Note Regarding Forward-Looking Statements”;

**“Gross Book Value”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“Holder”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

**“IFRS”** means International Financial Reporting Standards;

**“Indenture”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Interest Payment Date”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Interim Financial Statements”** has the meaning ascribed under “Documents Incorporated by Reference”;

**“Interim MD&A”** has the meaning ascribed thereto under “Documents Incorporated by Reference”;

**“IRS”** means the United States Internal Revenue Service;

**“Liquidity”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“Maturity Date”** means September 30, 2025;

**“NI 44-102”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“NOI”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“NOI Margin”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“NOLs”** has the meaning ascribed to it under “Certain U.S. Federal Income Tax Considerations — Taxation of the REIT – Annual Distribution Requirements”;

**“Non-U.S. Holder”** or **“Non-U.S. Debenture Holder”** has the meaning ascribed to it under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”;

**“Offering”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Offering Price”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Omnibus Equity Incentive Plan”** means the omnibus equity incentive plan of the REIT dated as of May 18, 2018, as amended or amended and restated from time to time;

**“OTC”** has the meaning ascribed to it under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders – Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”;

**“Over-Allotment Option”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement and described under “Plan of Distribution”;

**“Participant”** has the meaning ascribed thereto under “Description of the Debentures – Book-Entry System for Debentures”;

**“Performance Units”** means the performance units of the REIT granted under the Omnibus Equity Incentive Plan;

**“Proposed Amendments”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

**“Prospectus”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Prospectus Supplement”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“QRS”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of REIT — Effect of Subsidiary Entities”;

**“Qualified Institutional Buyer”** has a meaning ascribed thereto under “Plan of Distribution”;

**“RDSP”** means a “registered disability savings plan” as defined in the Tax Act;

**“REALPAC”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“REIT”** means BSR Real Estate Investment Trust;

**“RESP”** means a “registered education savings plan” as defined in the Tax Act;

**“Response Bid”** has the meaning ascribed thereto under “Description of the Debentures- Interest Payment Election”;

**“Restricted Units”** means the restricted units of the REIT granted under the Omnibus Equity Incentive Plan;

**“RRIF”** means a “registered retirement income fund” as defined in the Tax Act;

**“RRSP”** means a “registered retirement savings plan” as defined in the Tax Act;

**“Rule 144A”** has the meaning ascribed thereto under “Plan of Distribution”;

**“Same Community”** has the meaning ascribed thereto under “Non-IFRS Measures”;

**“Securities Commissions”** means each securities commission or securities regulatory authority in the provinces and territories in which the REIT is a reporting issuer;

**“SEDAR”** means the system for electronic document analysis and retrieval;

**“SIFT Rules”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Status of the REIT”;

**“Subject Securities”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”;

**“subsidiary”** has the meaning ascribed thereto in Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions*;

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

**“TCJA”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations”;

**“TFSA”** means a “tax-free savings account” as defined in the Tax Act;

**“Treaty”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“TRS”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of REIT — Effect of Subsidiary Entities”;

**“Trustees”** means the trustees of the REIT from time to time;

**“TSX”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“TSX Publicly Traded Exception”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”;

**“Underwriters”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Underwriters’ Fee”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement, as described under “Plan of Distribution”;

**“Underwriting Agreement”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“Unit Interest Payment Election”** has the meaning ascribed thereto under “Description of the Debentures — Interest Payment Election”;

**“Unit Redemption Right”** has the meaning ascribed thereto under “Description of the Debentures — Restriction on Unit Redemption Right”;

**“Unitholder”** means a holder of Units;

**“Units”** means trust units of the REIT;

**“U.S. Holder”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”;

**“U.S. Publicly Traded Exception”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”;

**“U.S. Securities Act”** has the meaning ascribed thereto on the cover page of this Prospectus Supplement;

**“USRPHC”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”; and

**“USRPIs”** has the meaning ascribed thereto under “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders — Sale, Exchange, Redemption or Other Disposition of the Debentures or Units”.

**CERTIFICATE OF THE REIT**

Dated: August 31, 2020

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces and territories of Canada.

**BSR REAL ESTATE INVESTMENT TRUST**

(Signed) "*John S. Bailey*"  
Chief Executive Officer

(Signed) "*Susan Koehn*"  
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) "*Neil Labatte*"  
Trustee

(Signed) "*Graham Senst*"  
Trustee

## CERTIFICATE OF THE UNDERWRITERS

Dated: August 31, 2020

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces and territories of Canada.

BMO NESBITT BURNS INC.

(Signed) *"Michael Brodie"*

By: Michael Brodie

CIBC WORLD MARKETS INC.

(Signed) *"Jeff Appleby"*

By: Jeff Appleby

RBC DOMINION SECURITIES INC.

(Signed) *"David Switzer"*

By: David Switzer

DESJARDINS SECURITIES INC.

(Signed) *"Mark Edwards"*

By: Mark Edwards

NATIONAL BANK FINANCIAL INC.

(Signed) *"Adam Capland"*

By: Adam Capland

SCOTIA CAPITAL INC.

(Signed) *"Karim Kabbara"*

By: Karim Kabbara

TD SECURITIES INC.

(Signed) *"Derek Dermott"*

By: Derek Dermott

INDUSTRIAL ALLIANCE SECURITIES INC.

(Signed) *"Dennis Kunde"*

By: Dennis Kunde

CANACCORD GENUITY CORP.

(Signed) *"Dan Sheremeto"*

By: Dan Sheremeto

RAYMOND JAMES LTD.

(Signed) *"Lucas Atkins"*

By: Lucas Atkins

ECHELON WEALTH PARTNERS INC.

(Signed) *"Rob Sutherland"*

By: Rob Sutherland

LAURENTIAN BANK SECURITIES INC.

(Signed) *"Denim Smith"*

By: Denim Smith